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Ultimate Mission

By ZHOU JIANXIONG

The semi-annual G20 summit meeting, attended by heads of state and government of 20 developed and developing nations, ended in Seoul November 12, with an official declaration pledging, among other things, to "support and stabilize the global economy" and "lay the foundation for reform" in order to avert future world economic upheavals.

The G20—or Group of 20—was born out of the G7, an informal forum set up by the world's seven leading industrial powers in the mid-1970s. With the breakout of the financial storm that swept the world in 2008, it became an important mechanism for coordinating the financial response to the economic crisis. Time has proved the G20 to be much more effective than its predecessor, since it comprises representatives of the developing world and emerging economies. By having a relatively inclusive membership, the G20 enables the world to formulate strategies to combat financial problems and look for more balanced ways to develop the world economy.

The positions of member countries at the recent summit showed that many nations are more concerned with their own economic recovery now that the worst of the global economic crisis is apparently over. Some nations—due to their different roles in the world division of labor, varying development stages and differing economic models—were naturally at odds with one another. Needless to say, the United States' plan to buy back \$600 billion in Treasury bills led to a major controversy. This unilateral move is widely expected to further devalue the dollar, the world's major reserve currency, increase inflationary pressure and threaten the global recovery.

The differences and controversies at the Seoul summit show, however, that the G20—far from being ineffective—is more important than ever to world economic stability and equity. Through the G20, developing and developed countries may try to iron out their differences, address the common concerns of the majority of nations, share responsibilities and hardships, and find solutions to the lingering economic crisis.

To help achieve these goals, China also offered its own recipe for overhauling the world economy. It advocated freer trade, stricter financial controls and narrowing the wealth gap among nations. These proposals largely reflect the interests of the developing world. They are also the basis for a new economic order appropriate to the world's changing economic and political environment. This could well be the ultimate mission of the G20. Just as the world outgrew the G7, the economic order of the latter half of the 20th century can no longer support the economic and social requirements of the world today. Replacing the old order with a new one is therefore in the interest of the world community. It will not only help global economies recover from the current crisis but will help them embark on a new path of sustained and shared growth. ■

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Scientist Laureate



Vivian Wing-Wah Yam, a professor at the Chemistry Department of the University of Hong Kong, was recently announced among the five laureates of the 2011 L'Oreal-UNESCO Women Scientist Awards, for her contributions in light-emitting materials and innovative ways of capturing solar energy.

Yam, 47, obtained her Ph.D at the University of Hong Kong and became professor there in 1997 and chair professor in 1999. She was head of the university's Chemistry Department from 2000 to 2005, and became the Philip Wong Wilson Wong Professor in Chemistry and Energy in 2009.

Yam was elected an academician of the Chinese Academy of Sciences at 38, the youngest member of the top Chinese research institution at that time. In 2006, she became a fellow of the Academy of Sciences for the Developing World, and has also been awarded a Royal Society of Chemistry (UK) centenary lectureship and medal.

Initiated 13 years ago, the L'Oreal-UNESCO Awards each year honor five outstanding women scientists—one per continent—for their research contributions, the strength of their commitments and their impact on society. Yam is the laureate for the Asia-Pacific region.

Grassroots Inventor



Lesser-known inventor **Song Youzhou's** creature—the Straddling Bus—has been listed in the 50 Best Inventions of 2010 by *Time* magazine.

With more than 50 invention patents, 52-year-old Song is now board chairman of the Shenzhen Huashi Future Parking Equipment Co., which he founded with several partners last year.

The straddling bus is inspired by rush-hour grid-locked traffic in major Chinese cities and may reduce road traffic by 20 to 30 percent, said Song.

Song's designed bus runs along special tracks 4.5 meters above a road surface so ordinary cars can pass underneath it. It can carry up to 1,400 passengers and travel as fast as 60 km to 80 km an hour.

Though having no more than six years of schooling, keen observation provided the tools for Song to invent many objects to meet people's daily need. Besides the straddling bus, he is also very proud of his confetti firework. The firework has been widely used in China for various big events.

Highest-Paid Writer



Yang Hongying tops the newly released 2010 Chinese Writer's Rich List with an annual royalty income of 25 million yuan (\$3.68 million). With more than 40 million copies of her books sold in the past 10 years, Yang, 48, is one of the most popular children's writers in China.

Yang has worked as a primary school teacher, children's book editor, mentor of a children's newspaper and executive editor of a children's magazine.

She began her writing career at 19 when her students suggested she should write books since she had the talent.

Since its first book was released in mid-2003, Yang's best-selling *Naughty Boy Ma Xiaotiao* series, which tells stories of primary school student Ma Xiaotiao and his friends and family, has sold more than 16 million copies. New York-based HarperCollins Publishers bought the rights to publish the series in foreign languages in overseas markets in August 2007, after the French version of the series became available in France a year earlier.

"The world economy is growing slowly and the structure of global demand is changing, which puts new pressure on China in its efforts to stabilize and expand exports and maintain a stable and relatively rapid economic growth."

Li Keqiang, Chinese Vice Premier, on challenges to China in its next development phase in a comment published on November 14

"China has had capital controls on short-term flows that have worked, not perfectly, but have worked to stabilize these short-term flows. But at the same time, it's been very open to long-term investments."

Nobel Prize-winning economist Joseph Stiglitz, at a press conference in Hong Kong on November 11. He said emerging economies would need capital controls to manage flows of "hot money" and ensure economic stability in the wake of the United States' ultra-easy monetary policy

"It's like running a marathon, and finding out during the race that they have added more kilometers to the course."

Greek Prime Minister George Papandreu, saying in an interview with *Proto Thema* newspaper the country could seek an extension for repaying its rescue loans, and conceding the deficit revision would add pressure on his government to cut costs

"First of all you have to ask: Do we need to defeat it [Islamist militancy] in the sense of a clear cut victory? I would argue that it is unnecessary and would never be achieved."

General David Richards, the head of the British armed forces, in an interview with *The Sunday Telegraph*

"Looking back to the sovereignty conflicts in this region, bilateral approaches have proven more effective than multilateral approaches. So regarding the South China Sea issue, we should stick to the China-ASEAN framework and the China-Individual Claimant States Framework."

Chheang Vannarith, Executive Director of the Cambodian Institute for Cooperation and Peace, proposing solutions to the South China Sea disputes in an interview with Xinhua News Agency

OPINION

Much-anticipated Law

It has been almost 10 months since the publicizing of a new draft regulation to solicit public opinion on the dismantling of urban houses. The old regulation, which authorizes forced demolitions if homeowners fail to move out within the time required by the government, has been criticized as now being irrelevant in the wake of several cases of homeowners committing suicide. Five scholars, who wrote a letter to the National People's Congress, China's top legislature, demanding revision to the old regulation a year ago, voiced their dissatisfaction with the slow legislative process at a seminar on November 13.

While many people eagerly wait for a new regulation, forced demolitions with casualties are increasing in number. The impasse on the formulation of the new regulation has encouraged local governments' use of enforced demolition and fueled public outrage.

It's understood good laws take time and complicated procedures. But, when the public interest is always violated, it takes political will and courage to move forward arduous reform.

Huashang Daily

Regular Bonuses

Recently, Zhou Wangjun, an official with the National Development and Reform Commission, China's top economic planner, suggested, given the fast-rising prices of daily necessities, the government should consider offering allowances to low-income earners.

This official's suggestion would be a wise policy for the low-income earners if it was put into practice. But, the allowances, no matter their amount, would only enable low-income

earners to afford badly needed necessities for a short period. The government should think about formulating a regular mechanism to solve their difficulties in the long run.

In terms of government allowances, China could learn from Singapore, which has a Growth Dividends program. The program uses part of the government's surplus to reward all adult citizens with cash annually. More importantly, the country does have the financial capacity to initiate a similar program since a large number of state-owned monopoly enterprises reap enormous profits every year.

Yangzi Evening News

Preventive Monitoring

Following a wave of media reports on the widespread practice in the food processing industry of using partly hydrogenated vegetable oils to replace natural animal fat, the Ministry of Health said on November 9 that it has been working to evaluate the health risks of trans fat contained in the oils and may amend national standards for food preparation. The use of trans fat will be banned in infants' food, said ministry sources.

This is a timely response to public food safety concerns, but before a new national standard comes out, customers will be at a loss about which foodstuffs they should trust.

The controversy over partly hydrogenated vegetable oils again indicates food safety regulation should not be only in response to health emergencies. Instead, it should be institutionalized to prevent such emergencies.

In this area, Hong Kong is a good example. The region's regulatory system consists of comprehensive and professional risk valuation, timely release of information and regular and strict inspections.

The Ministry of Health recently issued a regulation on the national food safety standards. It has one article saying any citizen, legal person or organization could propose the formulation of a new national food safety standard. It would be a good start if this policy could be well implemented.

People's Daily

Price Intervention

According to a recent report in *Securities Times*, several central government agencies are drafting a new regulation, giving provincial price regulatory departments the power to impose caps on housing prices in the event of dramatic price hikes after obtaining permission from their provincial governments.

It is understandable if the government tries to control prices of public housing projects, which has enjoyed land use and taxation incentives. But other housing properties are ordinary commodities, whose prices should be determined by supply and demand.

Considering the soaring housing prices in many cities since last year, the government's direct intervention does comply with stipulations in the Price Law. However, this should be the government's last resort in a market economy. Central and local governments have already introduced many measures to rein in housing prices in recent years, such as limiting the number of new homes each household is allowed to buy, tightening payment requirements, increasing mortgage interest rates and cracking down on developers who hoard land. Now we need to evaluate the effectiveness of these policies. If soaring prices have been curbed or there are alternative tools to control prices, then direct price intervention will be unnecessary.

Yangcheng Evening News



AID TO NEEDY: Low-income earners register for free daily necessities offered by the local government at a community service center in Yinchuan, Ningxia Hui Autonomous Region on November 15



Pride in the Sky

J-10 jet fighters from China's Bayi Aerobatic Team take off to perform at the opening of the eighth China International Aviation and Aerospace Exhibition (Airshow China) in Zhuhai, south China's Guangdong Province, on November 16.

The biennial event, first held in 1996, is the largest air show in the country. Around 600 civil and military manufacturers, suppliers and designers participated in this year's show featuring about 70 commercial and military aircraft from 35 countries and regions.

China unveiled the prototype of its first large passenger jet, the C-919, at the show. A full-size model of *Tiangong-1*, China's first unmanned space module, was also on display.

SOCIETY

Curbing Kickbacks

China's Ministry of Health will intensify its crackdown on bribery in hospitals, according to a report in the *People's Daily* on November 17.

Bribery in hospitals has increased in some areas of China, seriously undermining people's interests and the image of medical professionals, according to the report.

The ministry will work to stop doctors from receiving kickbacks from pharmaceutical companies while strictly prohibiting hospital staff from illegally collecting information about prescriptions for commercial purposes, the report quoting an unnamed official said.

Some pharmaceutical companies pay kickbacks and bribes to doctors and hospital staff to boost the sales of their drugs.

Some medical equipment-makers have also been involved in similar schemes.

Those found to have accepted bribes will be punished according to the relevant laws and rules, the official said.

Best Supercomputer

A Chinese supercomputer was ranked as the world's fastest machine in the TOP500 list officially issued by U.S. and European researchers on November 16, highlighting China's rapid progress in the field.

The Tianhe-1A system at the National Supercomputer Center in Tianjin, is capable of sustaining computation at 2.57 petaflop per second, which equates to a mind-numbing 2.57 quadrillions of calculations per second.

As a result, the former number one system, the U.S. Department of Energy's Jaguar in Oak Ridge, Tennessee, which achieved 1.75 petaflop per second, is now ranked in second place, according to the 36th edition of the TOP500 list.

Freer Flight

China will open part of its low-altitude airspace for aviation in an orderly manner to promote the country's general aviation sector, including for private planes, a report in November 15's *People's Liberation Army Daily* said.

According to a circular jointly issued by the State Council and the Central Military Commission, the country's low-altitude airspace will be divided into three sections: areas under control, areas under surveillance and areas where aircraft can fly freely after reporting their flight plan in advance.

Previous regulations put low-altitude airspace throughout China under control, which meant private planes had to apply for permission in advance for every flight and then wait for approval, which often took a long time.

According to the circular, the open airspace reform will be trialed in some areas by 2011.

They will then be expanded to other parts of the country.

Recognized Heritage

Peking Opera and acupuncture are among the traditional celebrations, healing techniques and culinary arts newly added to the UN Representative List of the Intangible Cultural Heritage of Humanity, according to the Paris-based UNESCO.

After an committee finished examination of 47 nominations, the list was expanded to 213 traditional elements.

Armenian cross-stone art, Colombian Marimba music and French gastronomic meal are also among the members newly recognized by the UNESCO committee.

As for the List of Intangible Cultural Heritage in Need of Urgent Safeguarding, the reviewing meeting in Nairobi, the capital of Kenya, also added four new elements, bringing the total number to 16.

The protection-in-need list enrolled three intangible cultural styles in China. They are Meshrep, a performance art practiced by Uygur people in Xinjiang Uygur Autonomous Region, the watertight-bulkhead technology of Chinese junks, as well as printing with wooden movable type.



LIANG GANCHU

COMPREHENSIVE PATROL

China's first fishery patrol vessel equipped with helicopters begins its maiden voyage from the southern city of Guangzhou to patrol in the East China Sea on November 18



ZHANG ZHAOZHANG

FESTIVE FOOD

Muslims in Yinchuan City, Ningxia Hui Autonomous Region, buy a traditional snack for the celebration of Corban Festival on November 17, one of the most important Islamic festivals



LUO WEI

NATURAL AND RECYCLABLE

A visitor looks at a sofa made of bamboo sticks at an exhibition of creative ideas and designs in Beijing on November 13

ECONOMY

Price Controls

The State Council announced price control guidelines to curb surging prices across the country.

Efforts will be made to ensure market supplies, improve subsidy systems, make price controls more targeted and strengthen market supervision, said a statement released on November 17 after a State Council executive meeting presided over by Premier Wen Jiabao.

The government will further support agricultural production and put state reserves of grains, edible oils and sugar on the market when necessary in order to guarantee supplies.

They will also continue to reduce prices of power, gas and rail transportation for chemical fertilizer producers, and increase production of oil, especially diesel oil, to guarantee a sufficient supply.

The government will also offer temporary price subsidies for the needy, and increase allowances for needy students and student canteens.

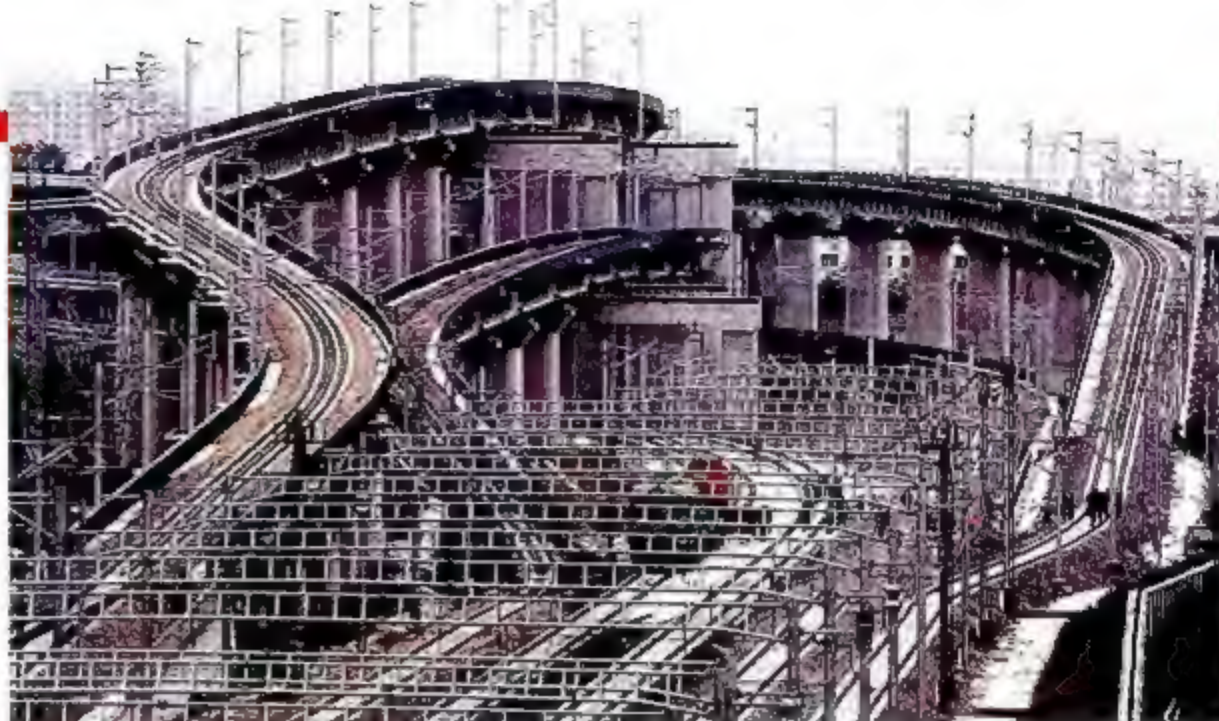
Treasury Bonds

The Ministry of Finance announced on November 17 that it would issue the country's third-ever 50-year national treasury bonds with a yield of 4.4 percent.

With a total face value of 28 billion yuan (\$4.22 billion), the bonds were on sale for five days from November 18 and became tradable on November 24, according to a statement on the ministry's website.

China first introduced the 50-year treasury bonds on the interbank market in November 2009 with a 4.3-percent coupon rate.

The country issued the second round of 50-year T-bonds on May 21 this year at a coupon rate of 4.03 percent.



COMPLETING A QUICK LINK

The rails of the 1,318-km Beijing-Shanghai High-Speed Railway have been completely laid out as of November 15, 2010. After completion, it will only take four to five hours to travel from Beijing to Shanghai

Iron Ore Output

China's iron ore output was expected to exceed 1.3 billion tons within three to five years, said Zhou Zhongshu, President of China Minmetals Corp., at the China Mining Conference and Exhibition held November 16-18 in Tianjin Municipality.

Domestic iron ore supplies have been rising for the last two years. In the past 12 years, China had discovered more than 900 new reserves, including 152 large and super-large reserves, according to the ministry.

During the first nine months of 2010, China's iron ore output increased 26 percent year on year to 780 million tons. But iron ore imports dropped 2.5 percent to 460 million tons during the same period, compared with a jump of 41.6 percent in 2009.

Aircraft Sale

On November 17, China's AVIC International Holding Corp. signed a deal with aircraft manufacturer Commercial Aircraft Corp. of China (COMAC) to sell 100 ARJ21-700 aircraft in overseas markets.

They will work together to sell China's independently developed regional jet in the international market, according to the agreement signed at Airshow China 2010 held in Zhuhai, Guangdong Province.

The ARJ21-700 jets have completed more than 900 hours of tests during more than 400 trial flights since the first trial in November 2008, according to COMAC officials. The first ARJ21-700 plane is expected to be delivered to customers in 2011.

Brand Investment

Beijing Automotive Group Co. Ltd. plans to invest 10 billion yuan (\$1.5 billion) over the next three years to develop its own car brand named after the city.

The independent Beijing brand will have nine lines of automobiles, including three SUV lines.

The company has dedicated most of its resources to commercial vehicles, mostly buses. It produces 700,000 commercial vehicles annually, making it one of the largest commercial vehicle makers in the world.



DISASTROUS BLAZE

A fire occurred at a 28-storey building in Shanghai on November 15, leaving 53 people dead and more than 70 injured. An initial investigation has blamed the disaster on unlicensed welders



GREETING NEW LIFE

Medical personnel from both Bangladesh and China take part in a caesarean operation on the Chinese Navy hospital ship *Peace Ark* in Chittagong, Bangladesh, on November 12. A local woman with congenital heart disease safely gave birth to her daughter

1. FRANCE

French President Nicolas Sarkozy poses with members of the new cabinet on November 17 at the Elysee Palace in Paris after the first meeting of the reshuffled government

2. BULGARIA

Russian Prime Minister Vladimir Putin holds a Bulgarian shepherd dog he received from his Bulgarian counterpart Boyko Borisov after a joint press conference in Sofia on November 13



3. SAUDI ARABIA

Muslims from around the world make the pilgrimage to Mount Arafat, near the holy city of Mecca, on November 15



AP/WIDE WORLD

4. HAITI

Locals walk past a pharmacy near the General Hospital, where people infected with cholera are being treated in Port-au-Prince on November 16. Haiti's cholera death toll has passed 1,000



AP/WIDE WORLD



AP/WIDE WORLD

EMERGING ECONOMIC VOICES

China calls for equal, balanced and sustainable development at the G20 and APEC summits

By DING YING

A bigger economic output means a larger voice for emerging economies and developing countries on the world stage. This proved true at both the recent G20 Summit and the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting. The growing influence of developing countries and their emerging economies should make global interactions more multilateral.

Chinese President Hu Jintao, attending the G20 Summit and the APEC Economic Leaders' Meeting from November 11-14, spelled out China's stance on future world economic development and regional cooperation. His remarks represented a common stance by emerging economies and developing countries.

Analysts said developed countries' decreasing economic power marks a power shift toward emerging economies. China, as a big developing country with an emerging economy, should take responsibility and urge other countries to help create a better trade and financial system for sustainable world development.

Shifting power

Participants at this year's G20 Summit reached an important consensus that reflected the international influence of emerging economies and developing countries.

Established in 1999 to, in part, avoid another Asian financial storm, the G20 is made up of members of the Group of Eight (G8), the EU and 11 emerging economies—China, Argentina, Australia, Brazil, India, Indonesia, Mexico, Saudi Arabia, South Africa, the Republic of Korea and Turkey.

Although it was only the fifth G20 Summit, the most recent event in the Republic of Korea was the first held in a country with an emerging economy; this clearly shows the rising importance of emerging economies.

Speaking on the future mission of the G20 at the summit, Hu said the world community should improve the "framework for strong, sustainable and balanced growth," champion open trade and promote coordinated development. In addition, it should reform the financial system while narrowing the development gap.

During the Seoul summit, the leaders agreed to strengthen the role of the G20 in order to deal with new risks and challenges in the international financial sector while jointly boosting the growth of the global economy. They agreed to further promote the reform of international financial institutions, and confirmed the 6-percent shift of the International Monetary Fund (IMF) quota shares to emerging economies.

For the first time, the issue of development was considered a major topic, and the summit endorsed the Multi-year Action Plan on Development over the medium term. The members also pledged continuous efforts to intensify financial regulation and combat trade protectionism.

The declaration showed a common understanding of economic development. It requires developed economies remain alert to the effects of exchange rates and to retain exchange rate flexibility, to avoid the competitive depreciation of currencies and to craft a financial safety network.

The Seoul declaration and related agreements were the result of argument and

compromise, said Professor Jin Canrong from Renmin University of China. He said the declaration transcended differences not only between developed and developing economies, but also among developing economies themselves. Currently, emerging economies, like China and Brazil, are worried about economic overheating and want to take measures to contain excess liquidity. However, developed economies like the United States, the EU and Japan prefer further economic stimulus due to their slow economic recoveries.

Prior to the summit, the U.S. Federal Reserve's announcement that it would purchase an additional \$600 billion in Treasury bonds over the next seven months drew ire from around the world. During the summit, even Germany—a developed economy—condemned the United States for irresponsibly manipulating its currency and transferring its domestic economic pressure to other countries.

"The G20 Summit showed a compromise, especially on the exchange rate issue," said Jin. G20 members agreed to allow the market to determine exchange rates rather than continuing to force certain currencies to appreciate, which was acceptable to neither developed economies nor emerging economies. Developed economies cannot stop the tendency of emerging economies driving world economic development, so they must agree to transfer some economic power to emerging economies, Jin said.

The Seoul summit marked a shift for the G20 away from emergency response and toward long-term economic governance. The G20 played a significant coordinating role during the international financial crisis, and it will play an even greater role after the crisis. In fact,





ASIA-PACIFIC REUNION: Regional leaders pose at the 18th APEC Economic Leaders' Meeting in Yokohama, Japan, on November 13

moving forward, the G20 will play a more important role in world economic development than the G8, said Mei Xinyu, a researcher with the Chinese Academy of International Trade and Economic Cooperation.

He explained the global financial crisis took a heavy toll on developed economies, and the influence of emerging economies began to rise in its wake. "The power of making macroeconomic adjustments has transferred from the G8 to the G20, which consists of both developed and emerging economies," Mei said. "And economic decision-making rights are also transferring from developed to emerging economies."

Mei said the IMF should transfer further shares to emerging economies to meet the tendency of world economic development, thus pushing forward reforms in international monetary and economic systems. "Emerging economies shouldn't give up the right to establish a new international economic system," he said.

"The agreements at the G20 Summit came about after an economic and diplomatic power struggle," Shen Shishun, a senior expert on Asia-Pacific studies and President of the Institute of International Economy at the Hainan College of Economics, said to *Beijing Review*. He said the rising power of emerging economies will push us toward a more multi-lateral world.

"The involvement of emerging economies can better contain the unilateral and irresponsible actions of some developed economies," he added.

Eyeing free trade

Focusing on this year's theme of "change

and action" in Yokohama, Japan, APEC leaders discussed regional growth strategies, economic integration, security, the Bogor Goals, the Doha Round of WTO talks and APEC's future development.

In a speech at the APEC meeting, President Hu called on member economies to promote balanced, inclusive, sustainable, innovative and secure growth. The Chinese leader noted this year marks the deadline for industrialized APEC economies to achieve the Bogor Goals, a commitment announced at the 1994 APEC Summit in Bogor, Indonesia.

Under the commitment, APEC members agreed to realize free and open trade and investment for developed members by 2010, and for developing members by 2020. The Chinese president called on APEC members to continue the promotion of trade and investment liberalization and facilitation and the acceleration of regional economic integration.

Hu's remarks were reflected in the declaration titled "The Yokohama Vision—Bogor and Beyond," which said APEC member economies "will implement the growth strategy out to 2015, focusing on the five desired attributes of balanced, inclusive, sustainable, innovative, and secure growth." APEC members cannot continue with "growth as usual" and "the quality of growth" needs to be improved, said the declaration.

The leaders also mapped out an action plan for the strategy, which encompasses critical elements such as structural reform, human resources and entrepreneurship development, green growth, knowledge-based economy and human security.

APEC leaders pledged to "take concrete steps" toward realization of a Free Trade Area

of the Asia-Pacific (FTAAP). An FTAAP should be pursued as a comprehensive free trade agreement by building on ongoing regional undertakings, such as ASEAN Plus Three (China, Japan and South Korea), ASEAN Plus Six (China, Japan, South Korea, India, Australia and New Zealand), and the Trans-Pacific Partnership, the declaration said.

"A developing country's development is doomed to be unsustainable if it relies only on processing primary products," said Mei, stressing changing the mode of economic growth is urgent for emerging economies.

"Changing the mode of economic growth is a worldwide trend," said Shen, adding that all APEC members should establish new development concepts and seek sustainable development.

Strengthening regional cooperation, including technological exchanges, would help to reach such a goal, said Shen. He pointed out that developed regional economies, such as Japan, are more experienced in developing clean energy, and other members can benefit from technological exchanges.

APEC leaders also agreed to make further efforts toward realizing the Bogor Goals, he said. Developed countries finally realized that helping developing countries benefits everyone, and they are trying to establish good relations with developing countries.

"Developed economies are now hitchhiking on emerging economies' and developing countries' economic development," Shen said, adding that the creation of the FTAAP could drag developed economies out of their slow economic recovery. ■

The G20's Commitment

The top developed and emerging countries vowed coordinated efforts to revitalize the global economy

By HU YUE

As they join hands on the macroeconomic front, the G20 countries are trying to brush away the clouds hanging over the global economy.

"Some of us are experiencing strong growth, while others face high levels of unemployment and sluggish recoveries. Uneven growth and widening imbalances are fueling the temptation to diverge from global solutions into uncoordinated actions. However, uncoordinated policy actions will only lead to worse outcomes for all," the G20 stated in a joint communiqué on November 12 closing the two-day Seoul summit held in South Korea.

This was the fifth gathering of the G20 leaders since they first met in Washington, D.C. in November 2008 when the financial crisis was just starting to sweep the globe.

The G20 was established in 1999 to bring together strategically important industrialized and developing economies to discuss key issues in the global economy. Together, the G20 members represent around two thirds of the world's population, 90 percent of global GDP and 80 percent of world trade.

"We recognize the importance of addressing the concerns of the most vulnerable. To this end, we are determined to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low income countries," said the communiqué.

The summit called on member countries to move toward more market-determined exchange rate systems, enhance exchange rate flexibility to reflect underlying economic fundamentals, and refrain from competitive devaluation of currencies.

Obviously, the U.S. position has been undermined by its own recent quantitative easing policy that threatens to weaken the greenback and trigger a flood of speculative capital into the emerging markets, Xiang Songzuo, Deputy Director of the International Monetary Institute at the Renmin University of China, told Xinhua News Agency.

Emerging economies fret they will be left vulnerable to a crash if the speculators later pulled out their money abruptly, he said.

A major irritant in the run-up to the summit was Washington's proposal to set numerical targets for current account deficits and surpluses in a bid to address global economic imbalances. U.S. Treasury Secretary Timothy Geithner even suggested that countries should implement policies to reduce their current account imbalances below a specified share of national output.

Instead, the G20 leaders only agreed to draw up "indicative guidelines" to reduce unsustainable imbalances, and left the details to be discussed in the first half of next year.

The international community also raised doubts about the feasibility of the U.S. proposal. German Economic Minister Rainer Brueckner warned of falling back into "planned economic thinking," while China's Foreign Ministry spokesman Ma Zhaoxu said the numerical target is unrealistic and unfair to developing countries.

As the size of a sustainable current account imbalance cannot be the same for advanced and developing economies and countries that are oil exporters, it was not practicable to set uniform targets like linking the size of a surplus or deficit to the GDP, said Dominique Strauss-Kahn, Managing Director of the IMF.

Needed coordination

When the financial crisis drained the life out of the world economy in 2008, the G20 managed to put their differences aside and rolled out coordinated stimulus packages in the London summit in April 2009. This was even hailed by many economies as a new model of global economic cooperation.

Two years later, the urgency to act as one seems to have faded. The policy unity also faces challenges as member countries find themselves in different stages of recovery.

The global recovery is proceeding better than expected but at varying speeds—lepidly



in many advanced economies and solidly in most emerging and developing economies, said the IMF in an October report.

"Better growth prospects in many emerging economies have triggered a resurgence of capital inflows, igniting the risk of inflation pressure and asset bubbles," said the report. "Meanwhile, growing sovereign risks in Europe could undermine the financial stability gains and extend the crisis."

The G20 has since clashed over a string of issues including the withdrawal of stimulus, currency valuation and trade imbalances. For example, the United States and Europe have sparred over a proper timing of stimulus withdrawal. The Obama administration in September 2010 unveiled a \$350-billion stimulus package including infrastructure spending and tax cuts.

"In the past, stimulus was too quickly withdrawn and resulted in renewed hardships and recession," said U.S. President Barack Obama.

This put it on a collision course with Germany, France and the UK, among others, who have promised to cut budgets amid rising debt worries.

"The international community united as one spirit during the crisis," said South Korean President Lee Myung Bak. "But now there are doubts over whether such



SEARCHING FOR SOLUTIONS: G20 leaders discuss the state of the global economy. The G20 Seoul summit concluded on November 12, where the leaders vowed to accelerate the global recovery by cooperating and coordinating efforts

cooperation can be achieved since the global economy is entering a recovery phase, with each country growing at a different pace."

The expanded number of voices at the table after the G20 replaced the G7 as the leading body to manage the global economy may help explain the increased noise, said Michael Paulus, Managing Director of Asia Public Sector Group at Citigroup Inc. in Hong Kong.

"When you've got 20 members that are trying to agree on something, it is much harder when there were seven," he said.

Since the global recovery remains fragile, G20 leaders need to look beyond their own economies and stand firmly together against the uncertainties, said Ba Shusong, a senior economist at the Development Research Center of the State Council.

A strong boost

Although lacking in detail, it is hard to deny that the agreements in Seoul came as a needed boon for the world economy.

In the joint communiqué, the G20 countries recognized the vital role of small and medium-sized enterprises (SMEs) in employment and income generation. Canada, South Korea, the United States and the Inter-American Development Bank jointly

committed \$528 million to help SMEs through grants and co-financing.

In another move, the G20 aimed to support country-led green growth policies and facilitate energy efficiency and clean energy technologies. It also confirmed the shift of over 6 percent in IMF quota shares from advanced economies to emerging ones, and called for deeper reforms to shape a more legitimate, credible and effective IMF.

When G20 countries face the undue burden of adjustment, policy responses in emerging market economies with adequate reserves and increasingly overvalued flexible exchange rates may also include carefully designed macro-prudential measures, said the communiqué. Many economists believed this was a hint of allowing emerging economies to set up capital controls and stem the tide of capital inflows.

Another bright spot was a deep commitment to keeping markets open and liberalizing trade and investments.

"We will refrain from introducing and oppose protectionist trade actions in all forms and recognize the importance of a prompt conclusion of the Doha negotiations," said the communiqué.

Next year, 2011, is a critical window of opportunity, albeit narrow, to round things off, it added.

WTO members started the Doha round of global trade talks in 2001, with a mandate to help poor countries prosper through more trade. But the negotiations have long been stalled because of sharp disagreements over farm trade subsidies and industrial market access.

"The fear we should all have is a return to what happened in the 1930s—protectionism, trade barriers, currency wars, countries pursuing 'beggar my neighbor' policies—trying to do well for themselves but not caring about the rest of the world," said British Prime Minister David Cameron.

In a recent report, the WTO said G20 countries had continued to exercise restraint in imposing new restrictions since their last summit in Toronto at the end of June. New measures, increasing but at a slower rate, covered 0.3 percent of G20 imports and 0.2 percent of the total world imports, it said.

"Cohesion and cooperation defined the G20 during the crisis. This allowed decisive policy action to help avert a second Great Depression," said Dominique Strauss-Kahn, Managing Director of the IMF. "Now, the challenge is to secure the recovery and to create the growth and jobs that the world needs. We all recognize that much remains to be done but the Seoul Action Plan is a step in the right direction." ■

The Price Of Free Trade

APEC faces many obstacles in establishing an Asia-Pacific free trade area

By SHEN MINGHUI



Twenty-one years after its founding, the Asia Pacific Economic Cooperation (APEC) is facing major challenges. As a leading regional trade and investment forum with 21 member economies, its future development direction will be watched closely.

At the 18th APEC Economic Leaders' Meeting, held on November 13-14 in Yokohama, Japan, leaders agreed to promote the establishment of a Free Trade Area of the Asia-Pacific (FTAAP) with practical actions, as part of the regional economic integration efforts.

Benefits

The FTAAP is not a new topic. Actually, after being proposed in 2004, it has been brought to the APEC discussion desk on many occasions. But little progress has been made, due to differences among member economies. This often-shelved proposal was put on the agenda again in 2009, when the United States announced that it would pursue the Trans-Pacific Partnership (TPP), a proposed free trade area that now includes Brunei, Singapore, Chile and New Zealand.

The FTAAP could mean many benefits. It could help promote the currently stagnant WTO negotiations and could help overcome the harmful overlapping of regional trade agreements that currently exists.

In addition, the FTAAP can serve as an alternative to the Doha Round of WTO negotiations in case of its failure. It can also prevent the United States from being excluded from East Asian cooperation. What's more, it can help solve the trade imbalance between China and the United States, and increase the possibility of China being accepted into the U.S. free trade area network. The FTAAP could also benefit regional welfare to a huge degree

However, the FTAAP also faces difficulties. First of all, large differences exist in the economic development levels of APEC member economies. For instance, the 2008 per-capita GDP of Australia, the highest in APEC, was 45.6 times that of Viet Nam, the lowest in APEC.

In addition, the adoption of the FTAAP may signal a move away from the organization's original principles—featuring “open regionalism” and “concerted unilateral action”—which have persisted for two decades. APEC's non-binding way, which places emphasis on acting on one's own accord and reaching consensus through consultation, will be abandoned.

The implementation of the FTAAP could also lead to a split between developing members and developed members. Developed members are so anxious to promote the FTAAP that they tend to ignore their commitments to the Bogor Goals. This has aroused the concerns of developing members. The Bogor Goals, which were proposed at the APEC Summit in Bogor, Indonesia, in 1994, call for the realization of free and open trade and investment for developed member economies by 2010, and for developing members by 2020.

Obstacles

What's more, there is no driving force for the establishment of the FTAAP, as East Asian economies lack a so-called Asia-Pacific identity. Also, it is difficult for any free trade area including China to pass muster with the U.S. Congress. And the FTAAP cannot guarantee the United States will achieve its key goal in WTO negotiations: opening the agricultural product market. This is extremely difficult when it comes to Japan, as Japanese farmers are strongly against this. Difficulties also exist for Japan in opening its service sector.

Although the United States is currently moving ahead with the TPP, it only hopes to use it as an alternative to APEC reforms. If it cannot make progress in APEC's trade and investment liberalization in the run-up to the 2011 APEC Summit in Hawaii, it may con-

tinue to absorb APEC members into the TPP, and, by default, turn the TPP into the FTAAP.

However, the TPP requires a high degree of openness in both services and investments, as well as high standards in labor and environmental protection. Couple this with the fact that it has no uniform way of accepting new members, it remains questionable whether the TPP can help develop a free trade area in the Asia-Pacific region.

It should be noted that the developing members of APEC lack confidence in the FTAAP. This results from the relatively slow progress in APEC economic and technical cooperation over the years, and from the reality that the economic gap between the member economies has but expanded.

To be specific, there are a couple of reasons for their lack of confidence. First of all, they lack funds for economic and technical cooperation. This makes it difficult to conduct practical activities. Also, APEC's resource allocation is inappropriate. The priority areas have not been evenly developed. The increasingly empty economic and technical cooperation projects have made things worse. From 2006 to 2009, APEC carried out 326 projects, of which 277 were on information collection and sharing. This cooperation is empty and lacks practical results.



The author is an associate research fellow with the Institute of Asia-Pacific Studies of the Chinese Academy of Social Sciences



PLEASANT CHAT: U.S. President Barack Obama chats with Sultan of Brunei Hassanal Bolkiah (center) and Chilean President Sebastian Pinera during the 18th APEC Economic Leaders' Meeting in Yokohama, Japan, on November 14

The FTAAP can only be a long-term goal, promoted gradually in different areas, at different levels and through various channels. Just as Japanese scholar Masahiro Kawai said, it may be most feasible to first promote Asia-Pacific economic integration through ASEAN Plus Three (China, Japan and South Korea), then ASEAN Plus Six (China, Japan, South Korea, India, Australia and New Zealand), and finally the FTAAP.

APEC ought to play a leading role in setting the terms of the FTAAP, but the FTAAP should not go against WTO principles. The FTAAP should be a stepping stone, rather than a stumbling block, for WTO trade negotiations.

While forging ahead with trade and in-

vestment integration, all member economies should adopt more active attitudes toward promoting economic and technical cooperation. For instance, they can establish an APEC skills development and promotion center to help developing members strengthen human resources development.

Since its establishment, APEC's development has relied on two fronts: one is trade and investment liberalization and facilitation, the other is economic and technical cooperation. Only when a balanced development is achieved between the two can the Asia-Pacific region achieve sustainable economic growth.

After so many years of effort, from 1989 to 2008, the average applied tariff rate among

APEC member economies dropped greatly, from 16.9 percent to 6.6 percent. The total trade in goods and services increased from \$30 trillion in 1989 to \$140 trillion in 2009. And compared to 1994, the foreign direct investment into the APEC region increased more than four times to \$791 billion in 2008, representing an average annual growth rate of 13 percent.

In terms of trade facilitation, the Trade Facilitation Action Plan (TFAP) I, from 2002 to 2006, reduced transaction costs within the APEC region by 5 percent. The ongoing TFAP II further reduced the costs by 1.7 percent from 2007 to 2008. In the meantime, an investment facilitation action plan is also under way.

In order to promote sustainable economic development in member economies, APEC has proposed a growth strategy focused on balanced growth, inclusiveness, sustainability, innovation and secure growth.

Strategy

To implement this growth strategy, APEC will promote the next phase of structural reforms, especially in five priority areas: regulatory reform, competition policy, corporate governance, public sector governance and strengthened economic and legal infrastructure.

In fact, the reason they were chosen as priority areas is because the tariff level within the APEC region has fallen to a surprisingly low level and resistance to further reductions is quite strong.

It is foreseeable that in the future development of APEC, difficulties in reforms in the five areas mentioned above will increase. These reforms involve member economies' domestic laws, so they will encounter different degrees of resistance within different APEC economies.

In particular, developed members failed to satisfactorily complete the Bogor Goals by 2010. If APEC sets the trade liberalization goal as zero tariffs, it will be impossible for developed members to achieve the Bogor Goals. Only if it sets the goal between 0 and 5 percent can they meet the requirements. Therefore, the first-phase task of the Bogor Goals is just completed to some extent.

Under this premise, as "border measures" have yet to be cleared, it will be inevitably regarded as an evasion of responsibility and a rush to take domestic measures. It is still doubtful whether developing members have enough motivation to participate. ■

FIERCE PROTESTS:

Japanese farmers shout slogans in protest of the government's attempt to join the Trans-Pacific Partnership, a free trade agreement that will call for the opening of the country's agricultural product market, in Tokyo on November 10.





Strengthening Bilateral Relationships

Chinese President Hu Jintao reaches out to U.S., Russian and Japanese leaders

By YU YAN

Chinese President Hu Jintao met with U.S. President Barack Obama, Russian President Dmitry Medvedev and Japanese Prime Minister Naoto Kan during recent summits in South Korea and Japan.

China and the United States

Hu discussed monetary policy in his November 11 meeting with Obama during the Group of 20 (G20) Summit in Seoul.

"While meeting with Obama, President Hu tactfully but clearly criticized the United States' pressing for the appreciation of the renminbi," said Shi Yinhong, a professor at the School of International Studies, Renmin University of China in Beijing. "The U.S. attempts would bring great harm to developing countries. U.S. policies should take into account the interests of emerging economies as well as other developing countries."

Hu said China's determination to promote the reform of the renminbi exchange rate regime was unswerving, but this could only be carried out gradually.

He also told Obama China was concerned about the U.S. Federal Reserve's decision to inject \$600 billion into the U.S. economy. He said this action would devalue the dollar.

China's decision to proceed with the reform of the renminbi exchange rate regime was made against the backdrop of a severe economic and employment situation, Shi

said. And it was not an easy decision for China to make.

According to Shi, with this decision, China has made a big contribution to the United States. Therefore, the United States should not put more pressure on China. China will not allow the renminbi to appreciate as fast as the United States hopes, said Shi.

Despite longstanding disputes over the renminbi exchange rate, China and the United States agreed on the need to strengthen bilateral relations.

During his meeting with Obama, Hu said advancing "positive, cooperative and comprehensive" China-U.S. relations and developing a partnership in fields where the two sides have common interests are a major task facing the two countries.

This task not only affects the two countries themselves, but also has a far-reaching influence on the future of the world, Hu said.

China hopes the United States will pursue constructive policies toward China and strive to stabilize bilateral ties. The two sides should trust each other and work together to address global challenges at a time of constant change in the international and regional situation, Hu said.

Obama agreed with President Hu's views on the development of bilateral ties, saying the United States is ready to strengthen cooperation with China.

Obama also said the United States is looking forward to further dialogue with China to boost bilateral ties.

Hu is scheduled to pay a state visit to the United States early next year. And both presidents pledged to make the visit a success at their meeting in Seoul.

China and Russia

Hu also met Russian President Medvedev on November 11. The two heads of state exchanged views on major international and regional issues of common concern that affect the development of the China-Russia relationship.

Hu said China and Russia should each hold grand celebrations to mark the 10th anniversary of the signing of the China-Russia Treaty of Good-Neighborliness and Friendly Cooperation next year. The two countries should also continue to boost their "traditional friendship and all-round strategic cooperation."

"China-Russia mutual political trust keeps strengthening," said Zhao Mingwen, Director of the China Center for Periphery Security Studies with the China Institute of International Studies.

High-level visits between China and Russia have been frequent this year. In May, Hu attended celebrations of the 65th anniversary of Russia's victory over Nazi Germany in Moscow. In September, Medvedev visited China, and the two countries issued a joint declaration regarding World War II.

Participation by Chinese and Russian leaders in significant events in each other's countries serves as proof of strengthening



L. XU/REUTERS

(From left to right)

MEETING AMID DISPUTES:

Chinese President Hu Jintao says China's determination to promote the reform of the renminbi exchange rate regime is unswerving while meeting with U.S. President Barack Obama in Seoul on November 11

FIRM PARTNERS:

Chinese President Hu Jintao and Russian President Dmitry Medvedev agree to strengthen bilateral cooperation on regional and international organizations during their meeting in Seoul on November 11

SIGN OF REDUCED TENSIONS:

Chinese President Hu Jintao tells Japanese Prime Minister Naoto Kan it is in the interests of both nations to improve China-Japan relations during a meeting on November 13 in Yokohama, Japan

strategic cooperation between the two countries, said Zhao.

In fact, bilateral relations between the two countries are strengthening in many ways. China-Russia trade volume this year is expected to increase by around 45 percent compared to last year, Zhao said. Due to the impact of the financial crisis, bilateral trade volume last year declined to \$39.5 billion, according to official Chinese statistics.

The two countries have also made historical progress in energy cooperation. The China-Russia crude oil pipeline started trial operations on November 1. China planned to import 250,000 tons of crude oil from Russia in November and 300,000 tons in December. The pipeline will bring 15 million tons of crude oil across the border annually beginning next January.

China-Russia energy cooperation become more stable with the completion of this pipeline, Zhao said.

During their meeting, the two presidents also agreed to strengthen bilateral cooperation and coordination on international organizations and groupings, such as the G20, the Asia-Pacific Economic Cooperation (APEC), the Shanghai Cooperation Organization and BRIC countries (Brazil, Russia, India and China), in a bid to help advance the reform of the international monetary system and enhance international financial supervision.

"Before participating activities within multilateral frameworks including the G20 and the Shanghai Cooperation Organization, the two countries communicated with each other on major issues in advance, trying to gain the support of each other," said Zhao. "This is another prominent feature of the two countries' strategic cooperation."

China and Japan

Hu held talks with Japanese Prime Minister Naoto Kan on November 13 on the sidelines of the 18th APEC Economic Leaders' Meeting in Yokohama, Japan.

This meeting was regarded as a sign that recent tensions between the two countries regarding the Diaoyu Islands are easing. On September 7, Japanese authorities intercepted and detained a Chinese fishing boat in waters off the Diaoyu Islands in the East China Sea, worsening relations between China and Japan. Both countries claim sovereignty over the islands.

"The meeting sends a positive signal, as Hu and Kan reached a consensus on how to regard China-Japan relations," said Qu Xing, President of the China Institute of International Studies.

"In the 20-minute meeting, President Hu stressed China's stance and proposed the two sides advance China-Japan relations through joint efforts. This proposal was welcomed by Kan," said Gao Hong, an expert on Japanese studies with the Chinese Academy of Social Sciences.

During the meeting, Hu said it is a right choice and in the interests of both peoples for China and Japan to follow a road of peace, friendship and cooperation.

China and Japan, being each other's main trading partner, should continue to deepen their mutually beneficial cooperation, Hu said. He also said the countries should enhance dialogue and coordination on international affairs in a bid to jointly contribute to Asia's revitalization and address global challenges.

Kan said he was in full agreement with Hu's opinions. He said he hoped the two sides will strengthen cooperation in various fields and further improve bilateral relations. ■

Trilateral Coordination

China, Russia and India called on other members of the Group of 20 (G20) major economies to implement agreements reached at G20 summits.

At their 10th trilateral talks in Wuhan, capital city of central China's Hubei Province, on November 15, Chinese Foreign Minister Yang Jiechi, Russian Foreign Minister Sergei Lavrov and Indian External Affairs Minister S.M. Krishna called for efforts to strengthen macroeconomic policy coordination and promote "strong, sustainable and balanced growth" of the world economy.

The G20 has become a major forum for international economic and financial cooperation, they said.

At the same time, they underlined the need to reform the international financial system, while voicing opposition to protectionism.

They also agreed the three countries would step up consultation to play a positive role within the framework of BRIC (Brazil, Russia, India and China), as well as within mechanisms for economic and security cooperation in the Asia-Pacific region.

The BRIC countries have convened two summits in Russia and Brazil and a third summit is scheduled to be held in China next year.

Chilean President Visits China

China will expand trade ties with Chile by boosting collaboration in many areas, including agriculture, science and technology, mineral resource development, light industry and home appliances, said Chinese President Hu Jintao.

Hu made the remarks while meeting with visiting Chilean President Sebastian Pinera in Beijing on November 16. The two countries signed three agreements on economic cooperation following the meeting.

Chile is the first Latin American country to recognize China's full market economy status and sign a bilateral free trade agreement with China. China is Chile's biggest trade partner, while Chile is China's second biggest trade partner in Latin America. Official Chinese statistics show bilateral trade totaled \$17.72 billion last year.

The two countries should deepen political trust, increase cultural exchanges and enhance coordination in international and regional organizations, Hu added.

The visit, which came as the two countries celebrated the 40th anniversary of their diplomatic relations, was Pinera's first state visit to China since taking office in March. ■



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Games Beyond Sports

The Asian Games are not only a sports event but also a cultural gala

By YIN PUMIN

Twenty years after the 11th Asian Games were held in Beijing in 1990, the sports gala again came to China, putting Guangzhou, south China's Guangdong Province, in the host position.

With the theme of "Thrilling Games, Harmonious Asia," the 16th Asian Games, running through November 12-27, attracted more than 14,000 athletes and officials from 45 countries and regions to the city to compete.

On a continent inhabited by nearly two thirds of the world's population, the Asian Games have become Asia's largest sports event and a symbol of unity between different cultures, politics and religions, said Sheikh Ahmad Al-Fahad Al-Sabah, President of the Olympic Council of Asia.

An opportunity

The Chinese people are trying their best to present a sports gala that reflects the concept of harmony, a green Earth and civilization.

Guangdong built and renovated 70 stadiums and gymnasiums, including 53 competition and 17 training venues. Twelve of the 70 were built from scratch, said Zhang Guangning, Vice President of the Guangzhou Asian Games Organizing Committee (GAGOC).

The air and water quality in Guangzhou has been improved, its transportation system updated and barrier-free facilities put in place.

Some 600,000 volunteers are going all out to ensure a comfortable and safe environment for the audience and athletes.

With these efforts, the city ushered in the largest ever Asian Games, featuring 28 Olympic and 14 non-Olympic sports with 476 gold medals up for grabs.

Since the ninth Asian Games in 1982, China has dominated the medal rankings. In 1990, China won 183 gold medals from the Beijing Asian Games. At the last Asiad, in Doha, Qatar, China claimed 165 gold medals, 88 silver and 63 bronze.

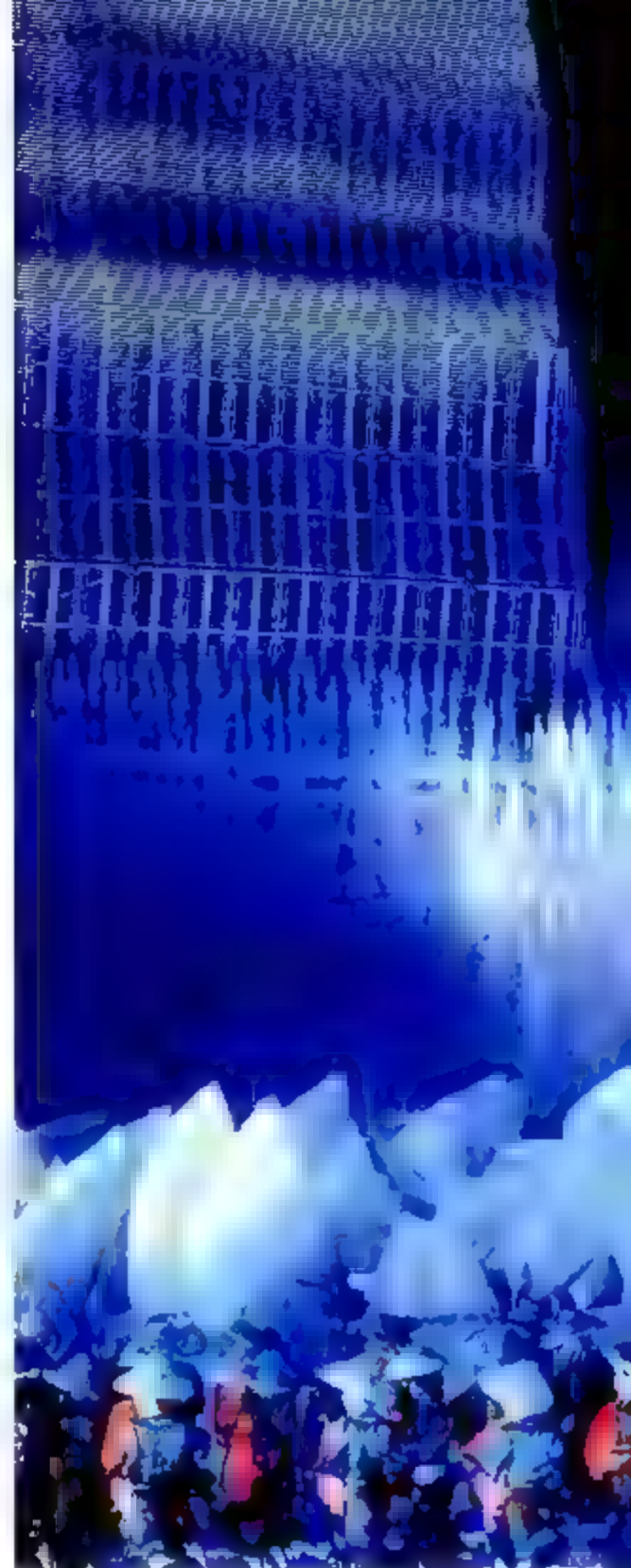
In order to continue shining at the Games, China sent a record delegation of 1,454, including 977 athletes, to compete in 447 events in 41 sports, except kabaddi.

The Chinese athletes included 35 Olympic champions. But most of them, accounting for two thirds, did not take part in the 2008 Olympics nor the Asian Games held four years ago in Doha.

"We hope to spot young talent at the Asian Games and prepare them for the 2012 London Olympics," said Duan Shujie, head of the Chinese delegation.

"The Asian Games are not just a sports gala to win as many gold medals as possible for us any more," said Duan, also Vice Minister of the State General Administration of Sport. "It's a platform to exchange friendship as well as show the world that great changes are taking place in Chinese sports."

The official said the Asian Games would

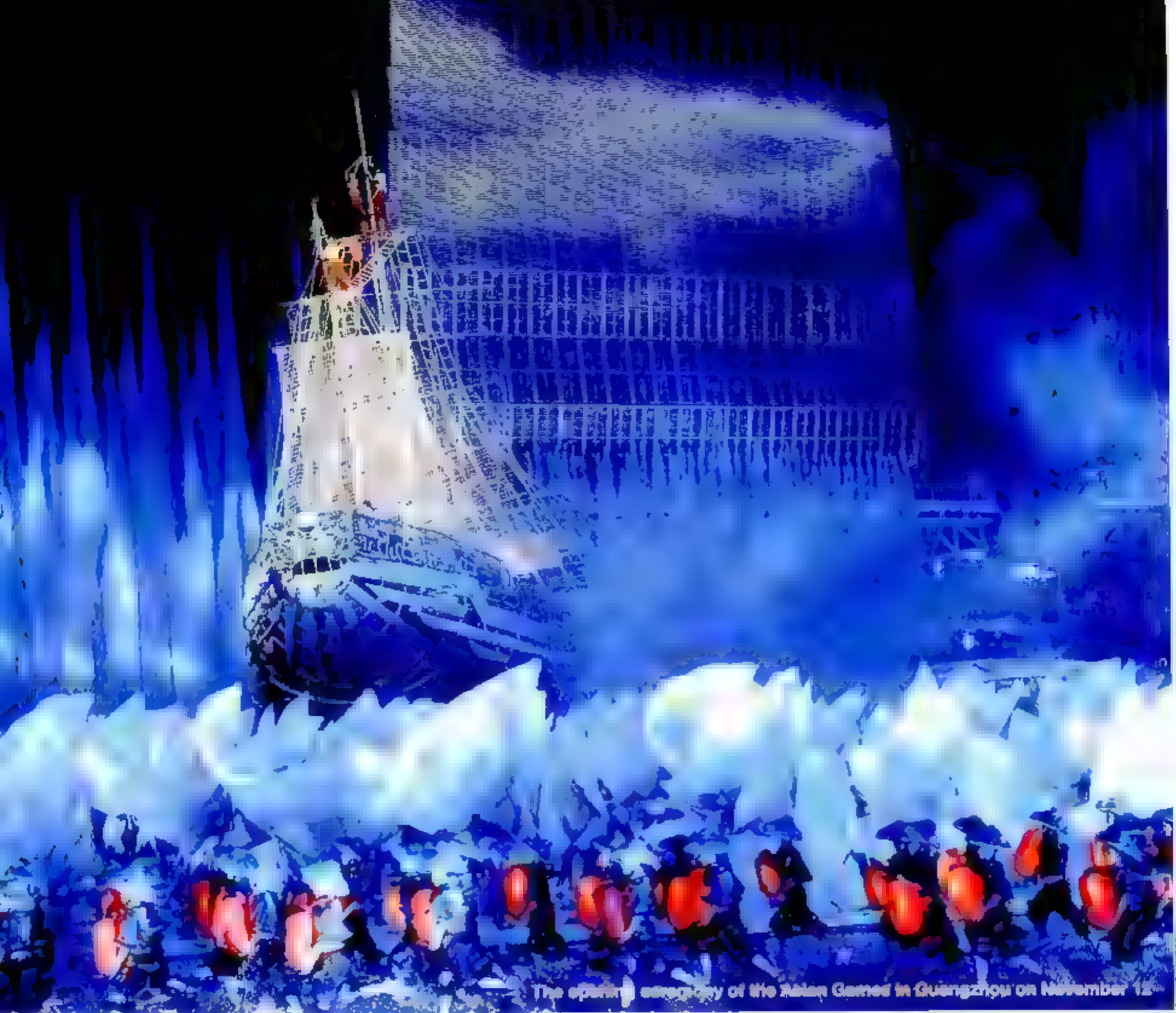


also provide a good opportunity for officials and coaches to see how sports are developing internationally.

"Some of our traditional training systems are out of date. We should learn from other countries and regions and improve our systems," Duan said. "It's not about having more athletes involved in intensive training any more. Sport is more about the proper use of knowledge and technology."

Duan said China is good at sports such as table tennis and badminton, but lags far behind internationally in swimming, track and field, and team sports.

"Ball games, such as soccer and basketball, are more difficult to handle because they need more complicated and systematic training systems. They need more people to get involved in different ways," Duan said. "We need breakthroughs in those sports to balance our development toward a sports powerhouse."



The opening ceremony of the Asian Games in Guangzhou on November 12

A cultural gala

At the invitation of organizers, artists from 25 countries and regions gathered in Guangzhou on the night of November 15, along with the Shenzhen Symphony Orchestra, to present a unique multicultural concert reflecting the traditions and culture of the participating countries.

Apart from sports, the Asian Games are also a platform for different cultures to showcase themselves, said Chen Chunsheng,

Deputy Director of the GAGOC's Cultural Events Department.

A boat parade along the Pearl River before the opening ceremony of the Asian Games on November 12, as well as performances on the riverbanks of traditional Guangzhou drumming, lion dancing and many other events, showed athletes and officials the natural and urban life of Guangzhou.

There will be a total of 317 sessions of 38 programs presented as an Asian Games cul-

tural campaign by more than 2,000 artists from 20 countries and regions from November 8 to December 19, according to Chen.

The performance program includes well-known plays from Asian countries and regions as well as local plays from the host city. They will showcase diversified cultures in Asian countries and regions and offer a platform for cultural communications.

Charming Asia is part of the big cultural feast. It presents performing arts from various Asian countries that Chinese audiences will have rarely seen before.

At the Lingnan Convention Hall in Guangzhou, Syrian Sufi musician Nourredine Khourchid and his "Whirling Dervishes" group share the same stage with Christian singer Ghada Shbeir from Lebanon.

Meanwhile in the Huanghuagang Theater, the Royal Ballet of Cambodia stages a show based on a Khmer mythical love story between the half-bird, half-woman Monorea and prince Preah Sothun.

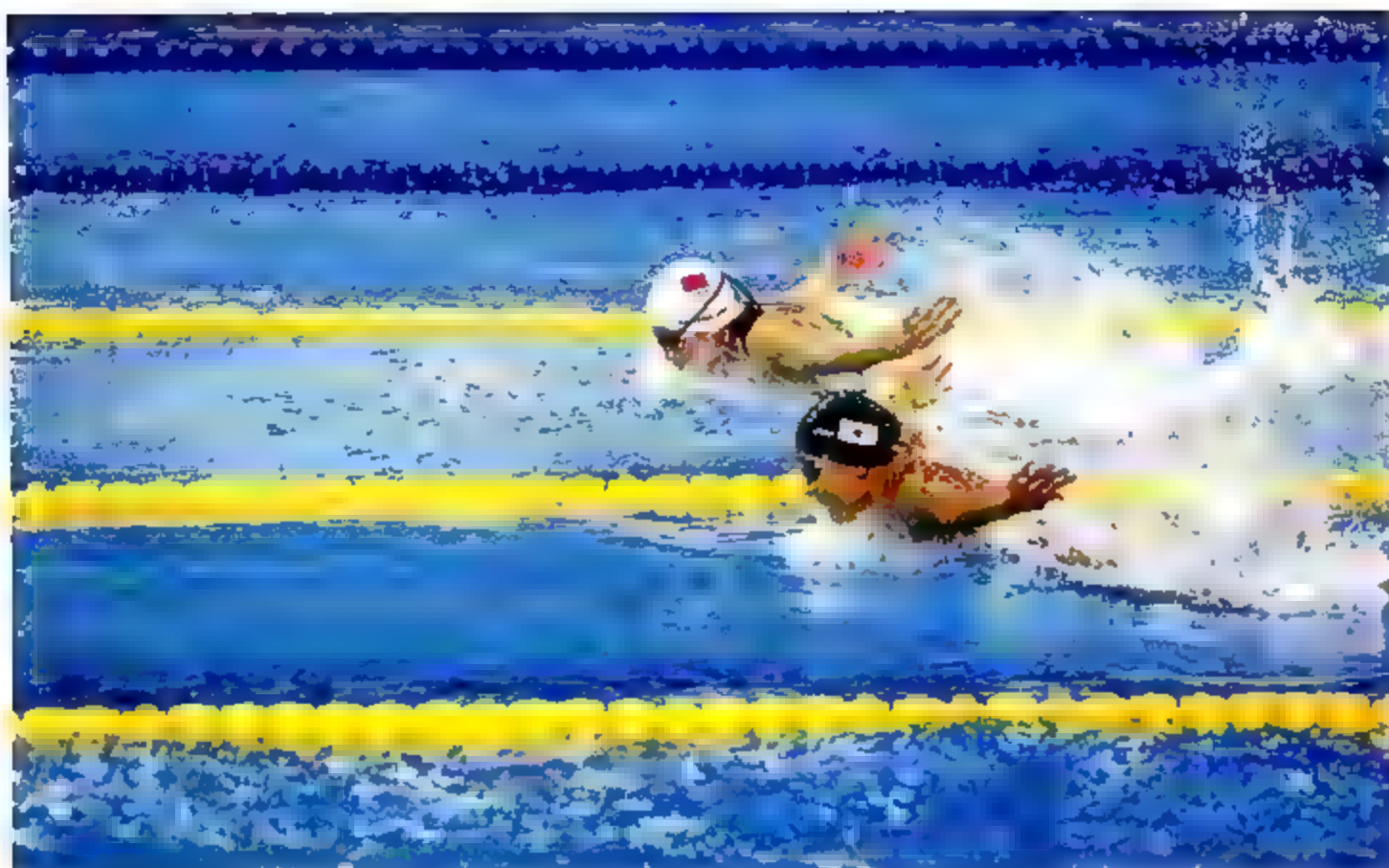
Numerical Differences

	Guangzhou 2010	Beijing 1990
Nations and regions	45	37
Athletes	9,704	6,122
Chinese athletes	977	636
Gold medals	476	310
Sports	42	29
Venues	70	33
Volunteers	660,000	200,000

Source: Xinhua News Agency



EYE-CATCHING SPORT
Dancers from Kazakhstan take part in the
Waltzing competition on November 14



FLYING FISHES: Chinese and Japanese swimmers compete in the women's 4x100-meter medley relay on November 14

"I'm honored to be here. I think this program shows both the unity and variety of Asian arts. Sharing the stage with artists from so many different countries is an amazing experience for me," said Reem Kelani, a Palestinian singer who performed at the first concert of the series on November 8.

It is the first time the whirling dervish dance of Islam's Sufi tradition has been staged in China.

Originally a religious ritual, the dance of the whirling dervishes involves continuous whirling and is said to represent a mystical

journey of man's spiritual ascent through love to perfection.

"We may have different cultural backgrounds, but we share the same love for life," Khourchid said. "The Asian Games have provided a great platform for culture and arts."

This is the second tour for the Royal Ballet of Cambodia; the first was 51 years ago.

"Each country has its own traditions. What we are presenting here is a dance style with eight centuries of history," said Norodom Buppha Devi, princess of Cambodia and director of the troupe.

Besides, there will also be 79 exhibitions

held during the period. Most tickets to these performances and exhibitions are being given out to residents of Guangzhou communities free of charge.

"Nowadays, large-scale events have become the best platforms for culture. Just like the World Expo is not only about novel technology, the Asian Games are not only about sports," said Lin Jian, Director of Charming Asia. "For Chinese people, such events are good starting points to get to know more about other cultures." ■

(Miao Xiaoyang contributed reporting in Guangzhou)

Odd Sports at Asian Games

DanceSport

Debut: 2010 Guangzhou

DanceSport is generally defined as partner dancing, with the man and woman using the required technique together with floor-craft and artistic interpretation to produce a highly disciplined dance performance.

Kabaddi

Debut: 1990 Beijing

Kabaddi was probably invented to ward off group attacks in ancient times. It is basically a combative sport, with seven players on each side and played in two 20-minute halves. The core idea is to score points by raiding the opponent's court and touching as many of its players as possible without getting caught on a single attempt.

Dragon Boat Racing

Debut: 2010 Guangzhou

The history of dragon boat racing goes back more than

2,200 years. It emerged as an international sport in 1976. For competition events, dragon boats are generally rigged with decorative Chinese dragon heads and tails.

Sepak Takraw

Debut: 1990 Beijing

It is generally believed that sepak takraw was played as early as the ninth century. It is played on a court with a hand-woven ball (takraw) by teams made up of two or three people. Points are scored by hitting the ball above the net and into the court as the opposing players attempt to block. Players can use their feet, legs, shoulders and heads but not their hands.

Roller Sports

Debut: 2010 Guangzhou

Roller sports developed from ice-skating. In 1863, New Yorker James Plimpton solved the problem of controlling skates when he used a rubber cushion to anchor the axles. From then on, roller sports have spread all over the world.

(Source: Xinhua News Agency)

Fighting a Smokeless War

China still faces formidable challenges while endeavoring to keep its commitments under the World Health Organization Framework Convention on Tobacco Control



By WANG HAIRONG

On November 15, a new global report indicated that "efforts to combat the global tobacco epidemic are lagging, in spite of strong progress in some countries." The report was published by the Framework Convention Alliance, a coalition of more than 350 non-governmental organizations from over 100 countries.

The report was released during the Fourth Conference of the Parties to the World Health Organization Framework Convention on Tobacco Control (WHO FCTC), held in Punta del Este, Uruguay, on November 15-20 this year.

Although China was not included in this report, its fight against tobacco is in a similar situation. Progress has been made regarding tobacco control in China, said Yang Gonghuan, but China's efforts are not enough.

Yang is the director of China's National Office of Tobacco Control under the Chinese Center for Disease Control and Prevention (China's CDC). She also serves as deputy director general of China's CDC.

China ratified the WHO FCTC in 2005 and put it into force on January 9, 2006.

The convention includes measures to reduce tobacco consumption and supply. Parties to the convention are obligated to restrict or comprehensively ban tobacco advertising, promotion and sponsorship. They also will have to put proper warnings on tobacco packaging, protect people from exposure to secondhand smoking in public places, implement taxation policies aimed at reducing tobacco consumption and clamp down on illicit trade in tobacco products.

China is the largest consumer and producer of tobacco products. Statistics from China's National Office of Tobacco Control show China accounts for one third of the world's total smoking population, cigarette sales and cured tobacco output.

Currently, more than 300 million Chinese adults smoke, and about 540 million non-smokers are exposed to secondhand smoking, including 180 million children under the age of 15, according to China's Ministry of Health.

Every year, about 1 million people in China die of tobacco-related diseases, said the Ministry of Health.

Piecemeal progress

China has made great progress in controlling tobacco consumption, Yang told the Beijing-based *Sanlian Life Weekly*. Now,

there is stronger political will, enhanced public awareness and increased media coverage on tobacco control in China, Yang said.

During the annual session of the National People's Congress and the Chinese People's Political Consultative Conference, dozens of bills and proposals related to tobacco control were put forward, Yang said. The number used to be very small, she added.

At the grass-roots level, many villages and counties hold smoke-free meetings, and citizens host smoke-free weddings. In this sense, the effectiveness of tobacco control is very obvious, Yang said.

On World No Tobacco Day, which falls on May 31, various activities are held nationwide to draw attention to the tobacco epidemic and to the preventable death and diseases caused by smoking.

Some localized or partial smoking bans have been put in place in China. Now, cities such as Beijing, Shanghai, Hangzhou, Guangzhou and Yinchuan have promulgated regulations banning smoking in public venues, Xu Guihua, Vice President of the Chinese Association on Tobacco Control, told people.com.cn.

To comply with the packaging and labeling requirement set forth in WHO FCTC's Article 11, in April 2008, the State



LU GUOHUA

China's Tobacco Control Regulations

Since 1981, the Ministry of Education has enacted several regulations prohibiting middle school students from smoking.

In 1991, the National People's Congress of China passed a law on the protection of minors, prohibiting smoking in indoor public places where minors gather.

In 1994, China's Advertisement Law adopted by the National People's Congress outlawed tobacco advertising on radio, television and in newspapers.

In 1997, the Ministry of Health, jointly with the Civil Aviation Administration of China and some other government departments issued a regulation banning smoking on public transport.

In 2007, the Beijing Municipal Government banned smoking in taxis and in most indoor public areas the following year. Other cities, such as Shanghai, Hangzhou, Guangzhou and Yinchuan, have followed Beijing's example and promulgated regulations banning smoking in public venues.

On May 20, 2009, the Ministry of Health ordered a comprehensive smoke ban in medical institutions nationwide from 2011.

(Sources: Website of the Chinese Association on Tobacco Control and media reports as specified)

SAY NO TO TOBACCO: Students in Wuji School of Rushan City, Shandong Province, stand in the pattern of a smoke-free sign on May 27 to mark World No Tobacco Day.

Tobacco Monopoly Administration and the State General Administration of Quality Supervision, Inspection and Quarantine jointly issued a regulation governing the packaging and labeling of domestically produced tobacco products.

The regulation requires such warning messages as "smoking harms your health" and "quitting smoking early helps reduce the risk" be displayed on tobacco products' packaging, and the warnings should cover at least 30 percent of the display areas. Nonetheless, it does not mandate pictures or pictograms depicting the health hazards of tobacco use.

Formidable challenges

Despite the progress in tobacco control, China has a long way to go, said Xu. China does not have any comprehensive smoking ban at the national level, whereas 17 other countries have, she said.

The compliance rate of existing laws and regulations banning smoking is low, said Yang. Smoking at indoor workplaces and public places is still prevalent. The 2010 Global Adult Tobacco Survey (GATS) published in this August showed that in China, about one third of people noticed smoking in public transportation and health care facilities,

six in 10 adults noticed smoking at the workplace, while almost nine out of 10 noticed smoking in restaurants.

Xu also pointed out despite China's regulation on tobacco packaging and labeling, the warning messages used are not effective in deterring people from smoking. Many people in China are not fully aware of the serious health risks of tobacco products and still send them to others as gifts, Xu said.

Meanwhile, tobacco companies target young people by sponsoring charity events, Yang told the WHO earlier this year. She said a primary school rebuilt after the Sichuan Wenchuan earthquake with funds from a tobacco company was named Sichuan Tobacco Hope Primary School, and the school walls are inscribed: "Talents are brewed by intelligence; tobacco helps you grow up and become accomplished."

Another perplexing issue about tobacco control in China is that although the WHO FCTC has been in force for several years, the number of smokers and the production and sales of tobacco products have increased over the years, said Xu.

Data from China's National Bureau of Statistics show that in the first half of 2010, the national wholesale volume of cigarettes reached 446.1 billion yuan (\$65.6 billion),

and the tobacco industry paid 325.2 billion yuan (\$47.8 billion) in taxes, up 16.7 percent and 17.32 percent respectively from the same period last year.

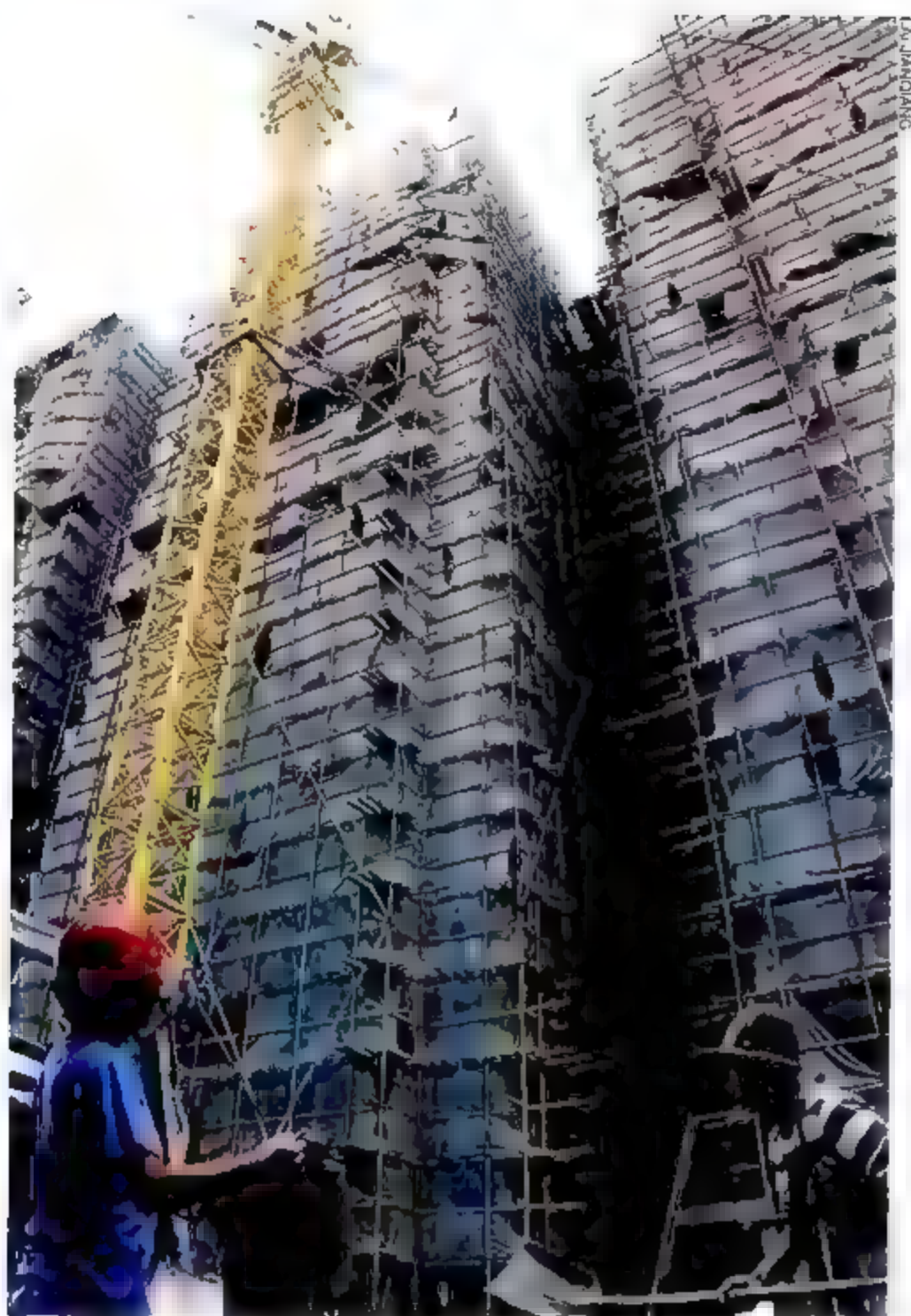
The tax contribution by the tobacco industry to the Chinese fiscal revenue was 8 percent in 2009, said Zhang Xiulian, spokesman for the State Tobacco Monopoly Administration.

Tobacco is a lucrative industry, especially for big tobacco provinces such as Yunnan. Although a 2005 Peking University study found that the health costs of tobacco exceeded the profits from the tobacco industry, yet Yang told the WHO that the government is reluctant to relinquish the revenue.

"The workforce loss indicated by the study is a long-term problem, but most local government officials are focused on today's issues," Yang said.

The fundamental obstacle to tobacco control is institutional conflicts of interests, Yang said, as the organization in charge of the tobacco control policy making and enforcement is also in charge of tobacco production in China.

"It's like a bunch of foxes in a chicken coop discussing how to protect the chickens," Yang described the situation to *Sanlian Life Weekly*. ■



HOUSING FOR CONSTRUCTORS: A low-cost apartment community for migrant workers

completion in Fuzhou, Fujian Province, in August

Easing Housing Woes

A new housing law brings the hope of decent housing for everyone

said, with the new law under consideration, China's housing system is returning in some ways to its starting point 12 years ago. Under the earlier system, housing was distributed to people at below-market prices, usually through their place of employment. Although the new law may seem in some ways like a return to the past, the editorial said it is actually a symbol of progress since market tools and social welfare policies will be combined to guarantee citizens' right to housing.

The much-anticipated new law is expected to ensure the construction of affordable and low-rent housing. In recent years, the booming real estate market created disincentives for building less profitable housing.

Gao Fengtao, Vice Director of the Legislative Affairs Office of the State Council, said in March that the law is expected to be implemented in 2011.

By LI LI

Legions of urban residents now priced out of China's booming housing market may soon get relief under a new law working its way through China's legislative system.

Xinhua News Agency reported on November 8 the Ministry of Housing and Urban-Rural Development submitted a draft Basic Housing Security Law to the Standing Committee of the National People's Congress (NPC). The NPC is now soliciting opinions from other governmental units. The draft law sets standards for low-income housing construction and management, specifies applicant requirements; and deals with related issues such as rent subsidies for low-income earners, economic incentives and taxation; and housing guarantees for farmers.

The law is intended to rectify problems caused by the commercialization of China's real estate sector. Over the past 12 years, market reforms in the industry have gener-

ated jaw-dropping profits and brought huge revenues to local governments through land sales. However, astronomical prices have meant many people are unable to own their own apartments and are often reduced to living in crowded, overpriced housing.

A new term has even sprung up to describe such people "ant tribes." These people, often low-income college graduates, frequently live in tiny rooms in overstuffed apartments subdivided to fit 10 or 20 people, instead of three or four as originally intended. They should have been entitled to low-priced government housing for rent if there was sufficient supply of this kind of housing.

Twelve years ago, the government attempted to provide for low- and middle-income earners when it commercialized the housing market. However, State Council directives and local implementing regulations were not satisfactorily implemented.

An editorial published on the website of Shanghai-based *Xinmin Evening News*

Affordable housing problems

While more and more people have found jobs in big cities as China's urbanization has accelerated, the amount of affordable housing has not kept up due to a lack of funds and land.

Statistics released by the NPC in October showed that the Central Government had already spent its annual budget for the construction of affordable housing, 79.2 billion yuan (\$11.8 billion), by the end of August. At the same time, local governments, which should shoulder part of the cost, said they faced difficulty in raising money for housing. According to the NPC report, only 23.6 percent of the housing funds required from local authorities in 2009 had been allocated in the first eight months of that year.

Another problem is that local authorities are reluctant to spare land for low-income housing projects since they yield low profits. Tao Yan, a professor at Renmin University of China, said local governments, whose rev-

enue relies heavily on the land sales, have no motivation to provide land for building low-income housing.

"When one plot of land is used for the construction of affordable and low-priced housing, the price for nearby plots of land immediately falls in auctions. It is impossible for governments to harm their own interests," Tao told *China Business News*. Tao said that the fundamental solution is to change government's position as the sole land supplier.

Shen Weixing of Tsinghua University's School of Law told *China Business News* that funds for building affordable housing should be mainly provided by local governments while private capital should be encouraged to participate too. Shen also said officials of local governments should be evaluated on their efforts to build low-priced housing and should be held accountable if they fail to meet their targets.

In October, the Ministry of Housing and Urban-Rural Development said it will conduct an inspection of affordable housing construction nationwide in cooperation with other government departments. Local government leaders who are in charge of affordable housing construction will be directly criticized if the projects in their cities or provinces are proceeding too slowly.

Local government officials will be evaluated. Those in areas where low-priced housing goals are not being met will be criticized in written notices. On the other hand, areas that have surpassed their low-priced housing goals will be rewarded by the Central Government.

Current measures

In advance of a comprehensive law, many locales have introduced measures to curb real estate speculation, a key factor driving up housing prices. For example, many



ECSTASY OF WINNING: Liang Yan, from Hefei, Anhui Province, hugs her son after her family won the chance to purchase a low-cost apartment in December 2009.

cities restrict residents to buying only one or two apartments. Cities have also tightened down-payment requirements and adjusted mortgage interest rates.

Even when low-priced housing projects have been built, however, benefits have not always flowed to their intended low-income recipients. For example, a low-priced housing lottery scam was exposed last June in Wuhan, the capital of Hubei Province. More than 5,000 people applied for 124 housing units. However, individuals involved in the lottery allegedly took nearly 1 million yuan (\$149,000) in bribes and arranged for six consecutive numbers to win.

In a more recent scandal, a publicized list of applicants for low-priced housing in Shenzhen, who had already received first-stage approval, included people who already owned luxury homes and couples who were both civil servants.

China Business News also reported in November that Guo Yunchong, Vice Minister of Housing and Urban Rural

Development, admitted that some low-priced housing had been distributed to civil servants as part of their employment benefits.

Taking Beijing as an example, according to a November 15 story by *Southern Metropolis News*, more than 70 percent of land used for residential projects in Beijing between 2005 and 2009 qualified for government financial incentives. However, only about 7 percent of this housing was sold publicly. The report said the remaining housing was mainly sold by government ministries to their employees at much lower than market prices.

Shen from Tsinghua University, who participated in drafting the new law, said the new low-priced housing generated by the law should mainly be low-rent housing. Insuring that tenants don't own the housing should prevent speculation. Shen also suggested joint ownership of affordable housing between purchasers and local governments. He also proposed expanding eligibility for low-priced housing to migrant workers living in cities. ■

The much-anticipated new law is expected to ensure the construction of affordable and low-rent housing. In recent years, the booming real estate market created disincentives for building less profitable housing

InterContinental Beijing Financial Street



This year, InterContinental Beijing Financial Street brings you another memorable Christmas with unparalleled high quality seafood from Alaska, bubbling champagne, sensational entertainment, and amazing lucky draw prizes.

● Christmas Gala at Xian Ballroom

Experience a sumptuous international seafood buffet, amazing live performance and chance to win a grand prize of a holiday in the United States, including five nights accommodation at InterContinental Chicago and round trip economy air tickets for two.

● Christmas Elegance at Steak Exchange Restaurant and Bar

Enjoy a five-course set dinner featuring 250-day old Australian Angus beef, live performances and a lucky draw for three nights accommodation at InterContinental Yokohama with round trip air tickets for two.

● Holidays at Monsoon

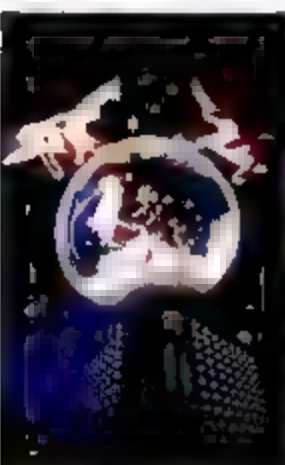
From December 15, 2010 to January 31, 2011, healthy wild and natural salmon, halibut, cod, crab, scallop, prawn from Alaska will be featured at Monsoon. Don't miss the Christmas Eve live performance and lucky draw for three nights accommodation at InterContinental Yokohama and round trip air tickets for two.

● Winter Dining at Zen

A specially designed Chinese set menu will be served on Christmas Eve at Zen, where customers will enjoy a stylish Christmas in an elegant and private environment.

Holiday Inn Downtown Beijing

As the snow falls as the clock strikes midnight with the rhythm of the anthem and silvery ring waves around you, Santa Claus arrives on his sleigh and beautiful



pixies are dancing in the brilliant rays of light. Christmas is approaching!

Enjoy an authentic Western Christmas gala buffet on December 24 at Garden Court Bar of Holiday Inn Downtown Beijing. The prices are 1,388 yuan, 1,188 yuan or 988 yuan net per adult, 788 yuan net per child under 1.2 meters tall.

Be surprised by the exciting lucky draw in a totally festive and magic ambience to feel the brilliance and passion of Christmas.

Reservations before December 10, 2010 will enjoy a 30-percent discount.

Shangri-La's Kerry Centre Hotel, Beijing

Evoke the spirit of Christmas and end off 2010 with a resounding bang. Be it a gift of a festive gift basket, a sumptuous Christmas Eve buffet dinner or a New Year's Eve countdown party, Shangri-

La's Kerry Centre Hotel, Beijing has a line-up of mouth-watering culinary treats perfect for a grand finale to the end of the year.

● Christmas Carol at 6:30 p.m. on December 24

In partnership with Dandelion School, a school for children of migrant workers, Shangri-La's Kerry Centre Hotel, Beijing will invite the school's Christmas choir to perform on Christmas Eve at various locations within the hotel. There will be a donation drive during the performance with contributions supporting this non-profit charity organization.

● A White Christmas at the Grand Ballroom



On Christmas Eve, guests can experience a dazzling array of cuisine styles enhanced with festive highlights with nostalgic songs by Zheng Xulan, a pop singer in the 1970s, and performances by comedian Wang Yuebo and Ying Ning, Magic Chinese acrobatics, Sichuan face making, a children's choir from the Dandelion School and many other performances will complete the night's entertainment for guests. To add to the evening's excitement, a grand raffle draw with attractive prizes such as holidays to exotic locations, awaits the lucky winners.

Tickets are priced at 3,888 yuan net (silver) and 4,888 yuan net (gold) per person, inclusive of entrance to the party, buffet dinner and free flow of beverages.

Tickets are priced at 3,888 yuan net (silver) and 4,888 yuan net (gold) per person, inclusive of entrance to the party, buffet dinner and free flow of beverages.

Fairmont Beijing



Maestro Plácido Domingo (middle), the undisputed "King of Opera," was greeted by Hans Hardijk (left), Fairmont Beijing's general manager during his recent stay and *Rigoletto* concert held at the Reignwood Theater.

The Westin Beijing Chaoyang

It's Thanksgiving again, a time to be with beloved ones and say thank you. Turkey is a tradition that can't be missed, and what's better than enjoying hearty cuisine with family and friends? The Westin Beijing Chaoyang has prepared all and would like to be thankful with you on this special day.



Prepare for a nice home Thanksgiving dinner—a 7 kg whole roasted turkey or honey roasted ham, with a

chestnut apricot stuffing, chipolata sausages, roasted brussels sprouts, butter carrots, mashed potatoes, roasted potatoes, red current jelly, red wine sage jus are available at Daily Treats, with professional delivery service.

At Seasonal Tastes, have fun with hearty turkey buffet dinner and pick whatever you like. The buffet is at 5:30-10:30 p.m. on November 25, 2010. The price is 328 yuan per person with a 15-percent service charge, including free flow of soft drinks.

Grange also offers a tailor-made four-course Thanksgiving appreciation dinner menu to reward your beloved ones. The menu is available from 5:30-11 p.m. on November 25, 2010, priced at 348 yuan per person with a 15-percent service charge.

Each group of four diners will receive a voucher valued at 200 yuan for redemption upon your next visit.

The Westin Beijing Financial Street



The Westin Beijing Financial Street recently hosted the welcome reception of the 2010 NBA China Games where Houston Rockets and New Jersey Nets played preseason games in Beijing and Guangzhou. Players including Yao Ming, Aaron Brooks, Luis Scola from the Houston Rockets and Brook Lopez, Devin Harris, Terrence Williams from the New Jersey Nets attended the welcome reception. More than 300 guests witnessed the kick-off of the 2010 NBA China Games. This is the fifth time that NBA preseason games have been hosted in China where local basketball fans can enjoy authentic games. Charlie Dang, general manager of the hotel and area managing director of Starwood Northern China, had his photo taken with Yao Ming.

Shangri-La Hotel, Beijing

The Empress Imperial Jade Journey treatment package, exclusively available at CHI, the Spa at Shangri-La Hotel, Beijing, was named the "Best Spa Treatment Package of the Year" at the inaugural award ceremony of the Spa China Awards on September 10, 2010. CHI was the only spa in Beijing to receive this award at the ceremony held at Sanya, Hainan.

The Best Spa Treatment Package of the Year category was highly contended by more than 100 spas throughout China, and the Empress Imperial Jade Journey was the sole winner of this accolade.



Ariva Wins Prize for Hospitality Management for Shanghai Corporate Pavilion China Expo 2010

Ariva Hospitality, a hotel and serviced apartment management company from Singapore, was honored to provide hospitality management services for Shanghai Corporate Pavilion China Expo 2010.

Throughout the 184-day Shanghai World Expo, Ariva, with its full dedication and professional expertise, succeeded in providing perfect services for the Shanghai Corporate Pavilion.

Recently, the Shanghai Corporate Pavilion was awarded eight prizes by the Shanghai World Expo organizers, including pavilion management, guest services, and teamwork excellence. Ariva was also awarded the Excellent Team in Expo Park Service award. More than 40 Ariva staff members also won honors for their outstanding performance.

Shama

Asia's premier, boutique serviced apartment provider, Shama, recently announced the opening of its first flagship property outside Greater China—Shama Sukhumvit. Following Shama's acquisition by ONYX Hospitality Group, the Thailand-based hotel management company, Shama's new property

in Bangkok marks the expansion of its superior serviced apartments in a number of gateway cities in Asia.

The new Shama Sukhumvit is located just 30 minutes from Suvarnabhumi International and Don Muang Airports and close to the BTS Sky Train. The property is located in the heart of Bangkok, close to both the business district and some of the city's most popular tourist attractions, providing an ideal short- or long-term accommodation option for families, tourists and business travelers.

To celebrate the grand opening of Shama Sukhumvit, Shama is pleased to offer a special promotional daily rate from Baht 2,980 (around \$99); valid from now until November 30, 2010.

The luxury package includes:

- Welcome drink
- Breakfast
- Complimentary Wi-Fi Internet access
- THANN amenities
- Complimentary airport limousine transfer from Suvarnabhumi International and Don Muang Airports
- A spacious apartment with extensive clubhouse facilities including an outdoor swimming pool (A minimum stay of five nights is required.)



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Diesel in Short Supply

Frequent diesel oil shortages necessitate the need to revamp pricing mechanisms and break up oil monopolies

By LAN XINZHEN

Li An has made many journeys from Xinzhou, Shanxi Province, to Beijing on the expressway. The trips have been too numerous, much like his cargo of potatoes that will be sold at the Xinfadi Farm Produce Wholesale Market in the Chinese capital city. Recently, Li has run into problems that could threaten his trucking excursions to Beijing and across China.

Since October, diesel oil shortages that started in south China have spread north and west, with many gas stations low on or completely lacking diesel oil. To fill his tank, Li often has had to visit five or six gas stations. "Without a full tank, we dare not run the truck," he said.

According to figures released by the Petroleum Circulation Committee (PCC) of the China General Chamber of Commerce, by November 12 this year, more than 5,000 privately owned gas stations had run out of diesel fuel and 80 percent of state-owned gas stations had limited the amount of fuel customers could buy.

This isn't the first major diesel oil shortage to plague China. In the past decade, such shortages have happened every one or two years. But this shortage sets itself apart from previous ones, and while it may not impose a serious impact on the Chinese economy, it has sounded the alarm from the country's energy mechanism.

Behind the shortage

This year, the blame for the lack of diesel falls on some local government measures to limit electricity use in parts of China.

Five years ago, the Chinese Government set a target that by 2010 the energy consumption per unit of GDP would be reduced by 20 percent of 2005 levels. The decision was passed down to all provincial-level governments under the stipulation that government officials in these areas would be held responsible if the targets were not reached.

As the deadline quickly approaches, local officials are scrambling to save energy and reduce emissions, and one of the ways they're doing so is to limit electricity supplies.

Zhong Yongsheng, Deputy Director of the Center for China's Urban-Rural Development Studies, said because of the rush limit of electricity, many enterprises have had to generate electricity by themselves using diesel oil. And so the shortage began.

Furthering the dilemma was the fact that many oil refineries often perform maintenance work on equipment in July and August when oil consumption is usually low. This year, however, output decreased just as demand was increasing.

"The reduction of diesel oil output and limits on electricity supplies jointly caused the shortage of diesel oil, directly and indirectly," Zhong said.

Liu Feng, a petroleum industry analyst with Shandong Zhuochuang Information Co. Ltd., said this year the diesel oil shortages mainly hit south China, especially the southeast coastal area, which was directly related to the limit of electricity supply by some local governments. The unexpected limit has increased the country's demand for diesel oil by at least 100,000 tons.

Zhao Youshan, PCC Chairman, thinks some branches of China National Petroleum Corp. (CNPC) and China Petroleum and Chemical Corp. (Sinopec) have jointly directed the diesel oil shortage this time. The two state-owned oil giants, as the country's biggest refined oil suppliers, have monopolized the Chinese oil market.

During negotiations with the branches of the two oil giants, Zhao became familiar with their policies and practices. He said he eventually found out these branches had oil in their depots, but had stopped oil wholesale to other gas stations and were only supplying their own gas stations.

"Before each oil shortage, these branches will create tension in the market by stopping wholesale and limiting supplies. Then the

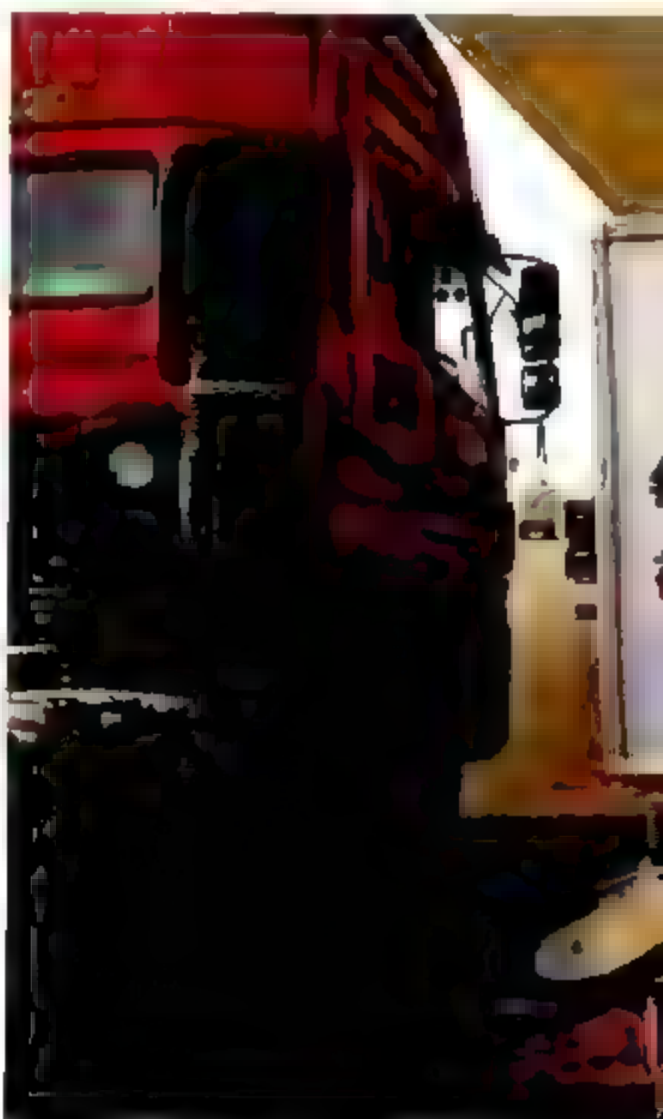
price of oil increases. Jointly pushing up prices has been a basic sales strategy for them," Zhao said, adding that their ultimate goal is obviously to force the National Development and Reform Commission (NDRC), who has pricing power over refined oil, to raise the selling price of refined oil.

According to figures from the National Statistics Bureau and the General Administration of Customs, in June 2010, China produced 13.34 million tons of diesel oil. It imported 83,000 tons and exported 269,000 tons, so the apparent consumption—the sum of net input and output—in June was 13.15 million tons. Domestic apparent diesel oil consumption was 13 million tons in July, and then declined further to 12.89 million tons in September.

Traditionally, diesel oil demand is low in June and July, hence exports of diesel oil often increase rapidly. But because domestic demand was low in June and July this year, the high apparent consumption of diesel shows that the diesel inventory was actually increasing, or at least higher than usual, during those two months.

So why haven't China's oil giants been selling their oil? Because on the refinery oil market, the retail price has been lower than the wholesale price.

In early November, the wholesale price of diesel oil in China was 7,634 yuan (\$1,149.7) per ton, increasing 818 yuan



(\$123.19) per ton month on month, which was 154 yuan (\$23.19) higher than the average national retail price per ton.

Zhong Jian, chief analyst of the Shanghai Toprise Information and Technology Co. Ltd., said higher wholesale prices than retail prices would cause wholesalers to find it difficult to sell expensive oil and make retailers unwilling to sell oil at a loss.

Affected by the quantitative easing policy by the U.S. Federal Reserve, international oil prices have been increasing quickly, Zhong said. The higher wholesale prices compared to retail prices reflect business expectations for price increases in the future, so possibilities cannot be ruled out that diesel oil stockpiling won't soon ensue.

Addressing the shortage

To solve the problem of suspended or limited diesel supplies by gas stations, expectations on future price increases need to be relaxed, Zhong said. If, after raising the retail prices of refined oil on October 26, the government will raise the oil prices again in late November, the two oil giants may have more incentive to increase oil supplies.

This will prove to be a major challenge to consider for related decision-making departments. If they follow through with crude oil price fluctuations and raise refined oil prices again, consumers will complain and the government will fear repercussions from the

general public. But if they try to control the price, the oil shortage will not be stifled.

Chen Kexin, chief analyst of the Distribution Productivity Promotion Center for China Commerce, thinks it is impossible to thoroughly solve the oil shortage anytime soon. Under the general conditions of short supply, together with the unpredictable U.S. dollar, prices of energy products such as diesel oil will most probably increase in the future. To the worldwide short supply and rising prices of energy products, China must make long-term preparations.

Chen said since China is undergoing massive industrialization, urbanization and infrastructure construction, diesel oil and all other energy products will be in high demand. This high demand will not decrease in the short term and may actually continue for decades to come.

To relieve diesel oil supply strains, the government should first rationalize the wholesale and retail prices of diesel oil, and then open the wholesale and retail sector of refined oil and break any monopolies, Chen said. It should also increase imports of diesel oil while curbing exports. More importantly, the government should encourage energy saving and eliminate backward production capacities. Cutting off electricity and stopping the flow of diesel oil and other resources to these companies would effectively cut off their lifeline and force them to shut down.

According to estimates by C1 Energy Ltd., the short supply of diesel oil may be relieved by the end of 2010. And due to increased transportation needs during the next Spring Festival in February 2011, the two oil giants, under pressure from the government and the public, will most likely relax their inventories to mitigate the oil shortage if only momentarily.

Fragile reserves

The frequent oil shortages in recent years reflect the fragility of the reserve system for refined oil in China. "At present, the strategic refined oil reserve is progressing slowly," said Mao Jiaxiang, Deputy Director of Sinopec's Economics and Development Research Institute.

Since 2003, China has been preparing oil reserve bases. The primary plan is to complete hardware facilities in three stages within 15 years. The reserves include 10-12 million tons in the first stage and 28 million tons in the second and third stages respectively. Facilities for the first stage are currently in use, consisting of four crude oil reserve bases with an aggregate reserve capacity of 10 million tons. But all the reserves would last only 30 days, whereas the internationally accepted security line is 90 days.

In a proposal for the petroleum and chemical industry released in May 2009, the State Council said for the first time that it would "act promptly to establish oil reserves, accelerate the construction of reserve facilities and increase national oil reserves by grasping the present favorable opportunities."

The target is to raise the refined oil reserve to 3 million tons in 2009, 6 million tons in 2010 and 10 million tons in 2015.

However, since the plan was somewhat vague, progress has been slow. And the target of 3 million tons for 2009 was not reached.

"Oil companies have no incentive to increase commercial reserves. To increase strategic reserves, the government must grant favorable policies and financial support," Mao said.

Besides financial problems, another reason for the slow progress in oil reserves is that refined oil is easy to volatilize and deteriorate, so the oil depots must change oil products at regular intervals, which increases companies' management difficulties.

Liao Kaishun, an oil industry analyst at C1 Energy Ltd., suggests that the government's future control of diesel oil exports should be under the precondition of strengthening the national strategic and commercial reserves of refined oil. In the meantime, refined oil reserves should be open not only to the two oil giants and state-owned enterprises, but also to more private enterprises, in order to diversify the storage of oil. ■



LIMITED PURCHASE:
At a gas station in Zhejiang Province, each car can buy 400 yuan (\$60.24) worth of diesel oil at a time. Many gas stations are limiting the amount of diesel oil customers can purchase.

Rushing to Invest Overseas

Chinese companies expand abroad to establish a global foothold in foreign markets

By HU YUE

With deep pockets and eyes abroad, Chinese companies are looking to expand their footprints beyond China's borders.

On November 1, the Ministry of Commerce (MOFCOM) released China's outbound investment development report for 2009, painting a favorable picture for corporate China's intentions to head overseas.

China's outward direct investment (ODI) grew 1.1 percent year on year to \$56.53 billion in 2009, compared with \$2.8 billion in 2003, the report said.

The investing spree comes amid the unprecedented global recession that has forced multinationals to ease back on expansions. Global flows of foreign direct investment nose-dived 37 percent to around \$1.1 trillion in 2009, said the United Nations Conference on Trade and Development.

The wave has showed no signs of tapering off this year. From January to September, China's overseas investments in non-finance sectors soared 18.4 percent from a year ago to \$36.3 billion, said Zhang Xiaoqiang, Vice Minister of the National Development and Reform Commission, at the opening ceremony of the Second China Overseas Investment Fair in Beijing on November 2.

In the latest of overseas investing, appliance maker Guangdong Midea Holding Co. Ltd. on October 11 announced the acquisition of a 32.5-percent stake in Miraco, an air conditioner market leader in Egypt. Midea is now the second largest shareholder of the Egyptian company and has gained access to Miraco's products, brands and markets.

Without a doubt, expansion-minded Chinese firms are quickening the pace of establishing a cross-border presence. Their solid financial grounding and a stronger yuan are paving the way for them to step onto the world stage. Moreover, the Chinese companies now have the cash to cherry pick foreign assets, while beleaguered global giants detach themselves from failing businesses.

Merger and acquisition (M&A) deals accounted for 34 percent of the country's ODI value in 2009, said the MOFCOM report.

Policymakers have also recognized that going out is a much wiser strategy than staying home. "The government is sparing no effort to strengthen consultation services and protection for the firms heading overseas," said Chen Lin, Deputy Director of the MOFCOM Department of Outward Investment and Economic Cooperation.

China has reached bilateral investment protection agreements with 130 nations, and the MOFCOM investment promotion agency has tied up counterparts in 71 countries and regions to beef up cooperation, said Chen.

In addition, stiff efforts are also underway to enhance risk alarms and emergency responses, as well as talent training about cross-cultural management, he said.

While state-owned enterprises lead the tide of globalization, private players are quickly stepping up their games as well, noted Chen.

One case in point is the Zhejiang-based Geely Automobile Holdings Ltd., which closed a deal in August to purchase the Volvo Car Corp. from Ford Motor Co.

By expanding globally, Chinese companies will make global names for themselves and help contribute to China's economic recovery, said Chen Jian, MOFCOM Vice Minister.

"But they still have a long way to go before catching up with established multinationals," he said. "It will take time to bridge the gap in experience."

By the end of 2009, China's accumulated ODI had amounted to \$246 billion, a minuscule 1.3 percent of the world's total, said the report.

The vice minister also dismissed rumors that the government handed out subsidies for state-owned enterprises to invest overseas. "Their outbound investments are completely market driven strategies," he said. "The enterprises operate independent-

ly and are responsible for their own profits or losses."

Accumulating resources

The tide of overseas acquisitions was driven partly by China's thirst for natural resources. The MOFCOM report said 24 percent of the country's ODI last year went to the mining sector.

In the first nine months of this year, China was responsible for 49 outbound mining and metal deals, soaring 108 percent from a year earlier, said a report by the international accounting firm Ernst & Young.

For instance, PetroChina, the country's largest oil and gas producer, has teamed up with Royal Dutch Shell Plc. to jointly acquire Arrow Energy Ltd., an Australian coal seam gas company. The two established a 50-50 percent joint venture to pay 3.5 billion Australian dollars (\$3.1 billion) for all Arrow stock.

"China's outbound M&A investment continues to be driven by the country's need to secure reliable sources of raw materials to



RESOURCE HUNT: An employee of the Australian coal seam gas company Arrow checks the company's facilities. Arrow was purchased by PetroChina and Royal Dutch Shell Plc. earlier this year.



VISIONS OF VOLVO: Li Shufu, Board Chairman of Geely Automobile Holdings Ltd., speaks at a press conference on March 28 after signing an agreement to purchase Volvo from Ford Motor Co.

support its rapid economic growth and urbanization plans," said Ernst & Young China mining and metals leader Peter Markey.

"Competition for assets has become a lot tougher, and deals are no longer just about cash, but about what else an investor can bring to the deal," said Ernst & Young global mining and metals leader Mike Elliott.

Elliott said the most successful Chinese companies in the M&A market this year understand this and have used access to debt finance, new technologies and equipment and supplies with lower operating costs as additional incentives.

Although China's current focus is mostly on countries with low political risks, Elliott said he has seen investor interest shifting to new regions like Latin America and Africa.

"Mining asset prices in developed countries like Canada and Australia have been bid up, which means assets in some higher-risk, new-mineral countries are of good value, providing a great opportunity for Chinese companies looking for lower-cost assets," he said.

A welcomed trend

As Chinese firms try to widen their geographic scope, their efforts are being warmly greeted by the rest of the world. Many financially distressed Western companies are expecting that Chinese buyers will come to their rescue. Most importantly, the Chinese investments came as a powerful boon to boost local employment and tax revenues, said Vice Minister Chen.

Chinese companies generated \$10.6 billion in tax revenues and created 438,000 jobs

outside China in 2009, said the MOFCOM report.

Among the most ambitious firms was the Suntech Power Holdings Co. Ltd., China's largest solar panel maker. In early October, it launched its first U.S. manufacturing plant in Arizona and it plans to create more than 1,000 local jobs in the United States where the employment landscape remains bleak.

"We are on the way to grab a 20-percent market share of the burgeoning U.S. solar industry this year, up from 15 percent in 2009," said Shu Zhengrong of Suntech.

Besides this, Chinese investments have played a significant role in accelerating infrastructure construction and resources development of target countries, as well as improving living conditions of local residents, said Vice Minister Chen.

Since 2000, Chinese companies have built around 70 million square meters of houses, 60,000 km of railways and power generating units with an installed capacity of 3.5 million kw in Africa. Meanwhile, China has extended \$11.2 billion in credit to African countries in the past decade.

In another move, the China National Petroleum Corp. made headways into oil exploration in Sudan. The company now boasts more than 3,000 km of oil pipelines and an annual refining capacity of 5 million tons in the African country. Those projects helped establish a modern oil industry in Sudan and injected fresh steam into the local economy, said the vice minister.

No guarantees

While Chinese firms continue revving up their deal-making machines, their suc-

cess is far from guaranteed. Managerial expertise and cultural sensitivity needed to build a global scale cannot be achieved overnight. Regulatory hurdles are also casting an ominous shadow over their prospects.

A painful lesson was learned from the headline failure of Chinalco's \$19.5-billion investment proposal with Australian miner Rio Tinto in June 2009.

Of the failed deals worth at least \$300 million since 2005, some 65 percent were due to foreign regulation, 9 percent to an unfavorable market environment and 4 percent to higher bid prices of competitors, said the MOFCOM report. And quite often, the target assets are just too difficult to run for Chinese managers with little cross-border experience, it added.

The Chinese machinery manufacturer Tengzhong stunned the world last year when it proposed to buy the road-hogging Hummer brand from GM. But given its inexperience with auto-making, suspicions proliferated about how it could turn around a brand that even GM failed to rescue.

"Outbound investment needs to be tied closely to the corporate strategy and the fundamentals of the business at home. This is a basis for target identification," said Honson To, partner in charge of transactions and restructuring at KMPG China. "An internal ability to fully understand and assess a potential target is a hallmark of world-class deal making and something that many Chinese companies are still developing."

The good news is there appears to be an increased deal-making prowess on the part of Chinese businesses. Many have started outgoing forays with smaller acquisitions or simply gathering core technologies, said Xing Houyuan, a senior researcher at the Chinese Academy of International Trade and Economic Cooperation, a think-tank affiliated with MOFCOM.

Among the most visionary investors was Beijing Automotive Industry Holding Corp. (BAIC), the fifth largest automaker in China. In December 2009, it paid \$200 million for intellectual property rights to certain sedan models from Saab, a premium Swedish auto brand. The deal, coming as a boost for the Chinese company in pursuit of its own brand models, is expected to save it five to six years of research.

Chinese companies are increasingly hunting down opportunities before the recovering prices put their target assets out of reach, said Xing.

But they must have a clear long-term strategy and should fully understand the target customers, as well as the local legal environment, she said. ■

Thoughts on the 'China Model'

As China stunned the world with its successful growth and economic momentum during the past decade, its development model, dubbed the "China Model" by some scholars, has become the center of attention around the world. So what is the "China Model" and does such a model indeed exist? Chen Zhiwu, a finance professor at Yale University's School of Management, offered his views on these questions as well as China's economic reform and the yuan exchange rate dispute between the United States and China, in an interview with *Beijing Review* reporter Chen Wen in New York. Edited excerpts follow:

Beijing Review: Your new book *China Model Never Exists* was published in Taiwan recently. What do you think about the "China Model?"

Chen Zhiwu: No one has been able to provide an accurate definition of what the "China Model" is. If we call the system now being practiced in China the "China Model," then this model is indeed special in some respects.

I think it has at least two major characteristics.

First, the Chinese Government has strict control over the country's economic resources and the access to financial industries. Through state ownership, state-owned enterprises, land and resources all fall under the supervision of the Central Government. Various levels of Chinese authorities have much tighter control over economic resources than Japan and the United States.

Second, China's political system reform has lagged behind its economic reform, and no substantial political reform has occurred during the last three decades.

Right now, I think we need to make it clear that it's too early to decide whether a system works properly or not with only 30 years' experience.

What are the major problems facing China's economy today?

First, China relies too heavily on imports and exports, which has concerned U.S. President Barack Obama and the U.S. Congress and served as one of the hot topics of discussion during the recent mid-term elections in the United States. In spite of the pressure from the outside, China should downsize its imports and exports. The current growth model driven by excessive exports isn't sustainable.

Second, China also relies too much on investments. According to my own calculations, China's fixed-asset investment in 1980 was equivalent to the annual disposable income of 200 million urban residents. But, fixed-asset investment in 2009 equaled to the annual disposable income of 1.2 billion urban residents. It is justifiable to

say that China needs such a large scale of fixed-asset investment 10 years ago. If it still counts on fixed-asset investment to power economy in the coming five, 10 or 20 years, the growth model can't be considered sustainable. After all, the final goal of economic development is to raise people's living standard.

The third problem is the slow increase in private consumption. Excessive dependence on investment and exports certainly means that growth in private consumption isn't fast enough to become a major engine of China's economy.

Now, the three problems are just symptoms. The root cause lies within the economic system.

So, what are problems within the system, in your opinion?

First, the right to tax has not been brought under substantial supervision.

Premier Wen Jiabao once said that the key to political reform is supervision and restrictions on power. It sounds abstract, but actually it's not.

Take some specific issue as an example. Should part of the income and property of enterprises and residents become government assets by taxation? Since the country doesn't have strict restrictions on the right to tax, fiscal revenue has tripled during the past several years, the proportion of government income in the GDP has increased, but the proportion of residents' income in the GDP has decreased.

The direct result is the proportion of private consumption in the GDP dropped from 69 percent in 1952, to 45 percent in 1978, and to only 35 percent in 2009. In sharp contrast, the proportion of government expenditure in the GDP increased from about 16 percent six decades ago to 30 percent in 2009. To develop the economy



in a balanced way, China should let more money flow into ordinary people's pockets to allow more space for private consumption to grow.

Second, state-owned assets' proportion of the total social wealth is too great. According to my preliminary estimate, 70 percent of China's property rights belong to various levels of the government. Since the government owns a majority of the total wealth, the government benefits much more than the residents from GDP growth.

To be frank, this state ownership played a very positive role in the past. Since 1978 (when the country adopted the reform and opening-up policy), it has enabled the Chinese Government to accelerate industrialization and infrastructure construction by mobilizing necessary economic resources. But today China is standing at the point of change. More wealth should be distributed to the ordinary residents and more benefits of economic growth should be enjoyed by Chinese families. Otherwise Chinese economy's reliance on exports and investment will be hard to change.

Finally, more measures should be taken to strengthen the protection of workers' interests and welfare, and raise their income.

What do you think about the Sino-U.S. trade relation and their dispute over the yuan exchange rate?

When I first came to the United States in 1986, the trade surplus from Japan was the talk of the town in the country. Presidential candidates, senators and representatives all used decreasing the Japanese trade surplus as their campaign rhetoric. When China took the place of Japan as the world's major manufacturing exporter in the 1990s, China also became the target of politicians in the United States and some other developed countries.

During the mid-term election this year, U.S. president, the Treasury secretary and candidates for the House and Senate have all had something to say about the yuan exchange rate and trade surplus to put pressure on China. Well, this is really what politics is all about—it's a blame game.

Also, the United States and other economies have been impaired by the financial crisis in the past two years. But before 2008, the U.S. trade deficit might not become such a big political issue. Weakened by the financial crisis, the United States is suffering from an unemployment rate as high as 10 percent, which, to some extent, has re-elevated the politicized Sino-U.S. trade issue to a new height. U.S. pressure on China would not be as great if the financial crisis had not happened, or if unemployment right now were lower. ■

CRISIS FOCUS

Teeming With Liquidity



Feeling the pressure of the U.S. second round of quantitative easing, the Chinese market is again plagued by excess liquidity. Consumer prices are running high and property prices have exceeded pre-crisis levels. But the situation is far from hopeless, as Zhang Monan, a researcher at the State Information Center, pointed out three ways to contain the liquidity in an article on *The Beijing News*.

Edited excerpts follow:

Rampant liquidity is staging a comeback, facilitated by the central bank's massive cash injection and the large scale of greenbacks being printed by the United States.

Faced with these sweeping issues, we must ask ourselves the following questions.

The first question is how we should view this excess liquidity. Excess liquidity means the amount of capital in production, investment and consumption is much smaller than the amount of money in the virtual economy, like the financial market and financial institutions.

Second, we have to ask ourselves how much liquidity we actually have in China? Statistics show China's economic scale has reached \$5.5 trillion. By the end of 2010, the amount of money stock will have reached \$10 trillion. The broad money supply far exceeds that of GDP. By the end of September this year, the broad money supply had totaled 69.64 trillion yuan (\$10.48 trillion), twice that of the GDP in the first three quarters of this year—26.87 trillion yuan (\$4.04 trillion). It shows that money is not being used efficiently and is disproportionate with the real economy.

Worse still, many countries are putting excessive amounts of money into the markets, and not just their own markets, but foreign ones. China's skyrocketing foreign reserves have become the most important factor affecting its money supply. In the first three quarters of this year, the amount of outstanding foreign reserves grew \$249 billion, the equivalent of dumping 1.6 trillion yuan (\$240.7 billion) into the Chinese market. Therefore, foreign governments' excess money supply is putting China's economic stability at risk.

In the future, the biggest challenge for the Chinese economy will be liquidity. This is where the third question comes in: How will we manage the liquidity risk?

In my opinion, there are three ways to cope with this dilemma.

The excess liquidity must be absorbed. Fundamentally, the effective absorption depends on whether we have enough financial investment tools, channels and methods. In addition to the development of the capital market, we should also strive to develop a "financial asset pool" of bond assets, stock holdings, life insurance and pensions.

We should also expand investment channels for private investors so that the huge amount of surplus social capital and newly added credit can be directed into the real economy. In particular, the government should encourage the idle capital in Wenzhou, Zhejiang Province—the boomtown of private economy—to invest in industrial sectors or startup enterprises.

At the same time, the government should also intervene in the money market on a large and sustained scale. In other words, it should take advantage of the sovereign wealth fund or other financial stability mechanisms to accumulate foreign currency assets. It can not only offset the negative impact of the excess inflow of foreign currencies, but also balance domestic liquidity, which will turn capital advantages into economic advantages. ■

TO THE POINT: For two straight quarters, China has replaced Japan as the world's second largest economy, but experts believe the Chinese economy is not without its flaws. The country remains a favorite destination for foreign investors as FDI pours in. China remains the largest foreign holder of U.S. Treasury securities. The auto market continues to burst with vitality as vehicle sales pick up across the nation. Chinese steelmakers are facing some serious headwinds as costs rise eats into their profits. PC giant Lenovo fares well, with quarterly profits soaring.

By HU YUE

MARKET WATCH

Big But Not Strong

For two consecutive quarters, China's GDP has climbed higher than that of Japan, making the Chinese economy the second largest in the world.

The Japanese Government on November 15 reported the country's GDP at \$1.37 trillion in the third quarter, compared with China's \$.42 trillion. Japan still leads with \$3.97 trillion for the January-September period. But if the current pace of growth continues, China is expected to surpass Japan for the entire year of 2010.

China's leap past Japan is a reflection of the former's economic boom in the past decades, said Guo Tianyong, Director of the Research Center of China's Banking Industry at the Central University of Finance and Economics.

However, this success is far from guaranteed since China's economy faces a number of problems, such as its over-reliance on investments and environmental pollution, he said.

Learning lessons from Japan, China should expand domestic demand and step up its clampdown on asset bubbles, said Guo.

China still has a long way to go toward prosperity as its per-capita GDP is only \$3,800, ranking 108th in the world, said Zhao Xijun, Deputy Director of the Financial and Securities Institute at the Renmin University of China.

Meanwhile, efforts are also needed to bolster the country's technological expertise,

innovation capacity, brand competitiveness and education, he said.

FDI Momentum

China has maintained its appeal to foreign investors despite a slowdown in the macroeconomy.

The country received \$7.66 billion of foreign direct investment (FDI) in October, up 7.86 percent from a year ago, said the Ministry of Commerce (MOFCOM). This was the 15th consecutive month of growth.

The October figure brought the amount for the first 10 months of the year to \$82 billion, surging 15.71 percent year on year. From January to October, a total of 21,181 foreign-funded companies were approved, an increase of 16.62 percent over the previous year.

As the Chinese economy takes off, many foreign investors have focused on the Chinese market, instead of exports back to their home countries, said Yao Jian, a MOFCOM spokesman on November 16.

Meanwhile, a growing stream of FDI is shifting from the manufacturing industry to the service sector, he said. From January to October, 45 percent of the FDI went to the service sector, while 47.6 percent went to manufacturing industry.

Adding U.S. Assets

China in September increased its holdings in U.S. Treasury securities for the

third consecutive month by \$15.1 billion to \$883.5 billion, said the U.S. Department of Treasury.

China remains the largest foreign holder of U.S. Treasury securities, ahead of Japan, which increased its holdings by \$28.4 billion in September to \$865 billion. Total holdings of Treasury securities by all foreign countries amounted to \$4.269 trillion, an increase of 1.3 percent from the previous month.

The securities are key to funding the massive U.S. budget deficit that reached a dizzying \$1.29 trillion in the 2010 fiscal year ending on September 30, slightly down from the record \$1.42 trillion deficit set in 2009.

Economists believe the U.S. Treasury securities are still a relatively safe home for capital given clouds gathering over the global economy. For China, it is also an effective channel of investment for the country's trade surplus, said Jiang Shu, a senior analyst at the Industrial Bank Co. Ltd.

Hot Wheels

Despite a slowdown in the macroeconomy, Chinese automakers are basking in the glow of a sales boom.

Vehicle sales across the nation grew a robust 25.5 percent in October from a year ago to reach 1.54 million units, said the China Association of Automobile Manufacturers (CAAM).

The October figure brought sales in the first 10 months to 14.7 million units, com-

340 billion kwh

China's power consumption in October rose 8.5 percent from a year ago to reach 340 billion kwh, said the China Electricity Council on November 16.

786 billion yuan

China's fiscal revenue in October rose 14.8 percent year on year to 786 billion yuan (\$118.4 billion), said the Ministry of Finance.



MEASURES AGAINST INFLATION: Vendors prepare their vegetables for sale in Lianyungang, east coastal Jiangsu Province. The city has increased supplies to curb further vegetable price increases

pared with 13.65 million for the entire year in 2009.

The market euphoria is expected to continue as dealers step up year-end promotions, said Xu Yingbo, an analyst at the CITIC Securities Co. Ltd.

Customers may also rush into showrooms before the favorable tax policy expires at the end of this year, said Xu.

China allowed buyers to pay only 7.5-percent tax for purchases of cars with small engine displacements (less than 1.6 liters) in 2010. But it remains unclear whether the policy will be continued next year.

While the Chinese market thrives, their foreign counterparts are struggling to recoup losses. The October vehicle sales in Germany and Japan nose-dived 20 percent and 26.7 percent from a year ago, respectively. But the U.S. market seems to be waking up from its slumber. Its October sales jumped 13 percent as buyers gained confidence in the economy and new models lured them into dealerships.

Steelmakers' Pains

After a strong start to 2010, Chinese steelmakers lost ground in the third quarter, raising red flags for the rest of the year since they are expecting to be hit by anemic demand and costs rise.

China Iron and Steel Association (CISA) said 77 large and medium-sized steelmakers raked in a combined profit of 5.8 billion yuan

(\$865.7 million) in September, diving 20.25 percent from a year ago. The September figure brought the third-quarter total profits to 12.5 billion yuan (\$1.9 billion), compared with 21.7 billion yuan (\$3.2 billion) in the January-to-March period.

From January to September, 10 steelmakers were in the red with losses totaling 2.4 billion yuan (\$358.2 million), said the association.

The industry now faces some chilly headwinds due to falling exports and lackluster domestic demands this winter, said Luo Bingsheng, Deputy Director of the CISA.

The Chinese Government canceled export rebates for 406 items, including certain steel products, effective as of last July 15.

But the biggest concern was soaring iron ore prices that are eating into profits. China's CIF (cost, insurance, freight) prices of iron ore imports averaged \$121.7 per ton in the first nine months, surging 56 percent year on year. Global miners this year forced through a new quarterly pricing system for the volatile spot market.

Pricing negotiations for 2011 have already started, and China will push for a return to the old benchmark system of annual contracts, said Luo.

But China lacks some bargaining power since the world's biggest three miners—Vale, Rio Tinto and BHP Billiton—have monopolized global supplies, said Xu Xiangchun, a senior analyst

at Mysteel.com, a steel information service company based in Shanghai.

Lenovo Cashes In

Chinese PC maker Lenovo generated \$76.58 million in net profits in the fiscal quarter ending on September 30, soaring 44.2 percent year on year. Its global sales jumped 41 percent year on year to \$5.8 billion.

The world's fourth largest PC firm suffered a string of quarterly losses in 2009, leading to painful job cuts and corporate restructuring. It also refocused its efforts on China and other emerging markets, a strategy that appears to have paid off.

Lenovo said its China sales surged 32 percent to \$2.6 billion, accounting for 46 percent of global revenues. Its market share stood at 28.8 percent, up 2.3 percentage points from the previous year.

In other emerging markets, PC shipments skyrocketed 185 percent in Russia, 68 percent in Latin America and 60 percent in India. Its business in the mature markets, much of which was inherited from IBM, also returned to the black as spending by corporate customers picked up.

"We have good momentum to keep growing, especially outside China," said Yang Yuanqing, CEO of Lenovo.

"We will also look for merger and acquisition opportunities in the sector," said Wong Wai Ming, CFO of the company. ■

Hotel for Health

What words can be used to describe a five-star hotel? Comfort, luxury, delicious food, good service and much, much more. During short stays in a hotel, customers may not pay attention to whether the dishes are healthy, whether the air in the rooms is fresh, or whether the pillows and mattresses are good for your back.

But in an age when people have a new understanding for health, a hotel is no longer just a room for sleeping and eating in—it's a healthy experience. Invested by the People's Medical Publishing House, Radegast Lake View Hotel is the first health theme and exhibition hotel in China. Though it cannot provide medical treatment as hospitals do, it is dedicated to offering customers a healthy environment, healthy food as well as services and ideas of health through perfect integration of health and fashion.

Healthy food

According to traditional Chinese medicine, some herbs are both medicinal and edible, which has resulted in the establishment of medicated diet. Green Restaurant of Radegast Lake View Hotel specializes in extending new ways of cooking to mix the ingredients of fresh herbs with traditional Chinese food.

Chef Wang Youhong is also a senior technician from the Institute of Medicinal Plant Development affiliated with the Chinese Academy of Medical Sciences and Peking Union Medical College. Deeply engrossed in research of a medicated diet, Wang designed many dishes for Green Restaurant.

Cooked with fresh and pollutant-free herbs from the Institute of Medicinal Plant Development, dishes of Green Restaurant may not smell of medicine, but are delicious and good for your health. During different seasons, the restaurant also designs different menus suitable for different seasonal characters.

Besides Green Restaurant, Radegast Lake View Hotel also offers other food and beverage choices. Royal Chinese Restaurant provides authentic Cantonese cuisine and fine local cuisine made by a famous chef from Hong Kong in an elegant environment with 11 private dining rooms. Lakeside Café presents the classic and finest French and Mediterranean cuisine, contemporary à la carte menu and creative international buffet. The all-day dining restaurant accompanied by elegant decorations is a truly delightful experience. With the combination of Chinese modern and simple decoration styles, a wide selection of wines, beverages and gourmet snacks, the Lobby Lounge is the perfect venue for a casual cocktail and great conversation.

Healthy rooms

Sitting beside Beijing's Longtan Lake, the 307 comfortable and elegant guestrooms of Radegast Lake View Hotel have beautiful views. Opening the window, customers will see the beautiful Longtan Lake, not an endless flow of traffic—which is extremely rare for a five-star hotel in downtown Beijing.

The beddings are of high quality. The high-class mattresses are in keeping with human mechanics, and the cotton bedclothes provide cloud-like comfort. In the rooms, customers will have various choices of pillows. And after customers select a pillow type, the hotel will remember their choice for future stays.

To ensure fresh air, the hotel adopts photocatalyst technologies to clean the air. It also offers pure tap water that is ready and clean enough to drink. The guestrooms also come with books on maintaining a healthy lifestyle for people traveling.

Healthy services

As a hotel with a health theme, Radegast Lake View Hotel establishes

health files for its customers. With these health files, the hotel provides personalized health services according to different health conditions for each and every customer. For example, if a customer has allergies, the hotel will select a room with good ventilation for him or her; if a customer has cervical spondylosis or insomnia, the hotel will select a suitable pillow for him or her; if a customer suffers from indigestion, the hotel will suggest digestible dishes.

Healthy leisure

With traditional Chinese decorating styles, the China House offers an elegant environment for customers to explore typical Chinese culture such as lyre, chess, books and paintings while enjoying great Chinese tea.

On the top floor, the Radegast Executive Lounge presents a variety of culinary styles and finesse food, where customers can observe the Longtan Lake Park with a wonderful natural landscape. In the lounge there is a unique study room with traditional medical books and Chinese classics to help customers explore Chinese culture.

Covering an area of more than 5,000 square meters, the Royal Palace Recreation Center is equipped with the newest exercise facilities and indoor swimming pool as well as Spa, sauna, hairdressing facilities and billiards room. In front of the swimming pool, there is a hot tub, where customers can feel refreshed after a day's hard work.

Conference facilities

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Mickey Finds a New Home

The first Disneyland on the Chinese mainland is expected to open in 2014

By YU LINTAO

In a few years, the Chinese will no longer need to go abroad or to Hong Kong to meet their cartoon idols, Mickey Mouse and Donald Duck.

On November 5, an agreement between the Walt Disney Company and the Shanghai Shendi Group (SSG) on the building of a Disneyland in Shanghai was officially signed. The Shanghai fun park will be the fourth Disney theme park outside the United States besides Paris, Tokyo and Hong Kong.

Huge project

The whole project, which is to cover 1.16 square km, will be the largest Disneyland in the world, said He Jianmin, Director of the Tourism Department of the Shanghai University of Finance and Economics, which participated in the appraisal of the project.

The construction will be divided into three phases. The first phase, including a nearly 1-square-km theme park area, is to involve an investment about 25 billion yuan (\$3.68 billion) and is planned for completion around 2014. After it opens, the number of tourists is expected to add up to 10 million

every year, while the total tourists visiting the whole park will be 30 million annually. He said.

Water will be one of the main features of the first phase of the Shanghai Disneyland. A 0.39-square-km lake will be built in the first phase, which will take up a sizeable proportion of the entire park. It will be used as a base for water recreation activities and transportation.

In the northeast of the lake, a 7,000-square-meter artificial island will be built. On the north side of the lake are spaces for the construction of a public transportation hub, entertainment facilities and hotels. A river which will surround the park has been under construction since October. As a whole, the park will present to tourists an impression of a water world.

The section to be built in the first phase will focus on the theme of a magic kingdom. It will include five different theme areas.

A 20-square-km Shanghai International Tourism Resort will be built to surround the theme park. A joint venture set up in August by Disney and the SSG will be in charge of operating the Shanghai theme park.

A special Disneyland subway line is to be built to link the fun park with the urban area of Shanghai.

Long-awaited

From the idea of cooperation to the formal signing of the agreement, both parties of the park's construction have waited for more than a decade.

Walt Disney was the first big U.S. entertainment company to have access to the Chinese market. In 1986, the China Central Television (CCTV) and Walt Disney signed an agreement to air the Mickey Mouse and Donald Duck cartoon series in China. Since then, Disney has had wide-range cooperation with its Chinese business partners in areas such as movies, TV and Disney brand product promotions and sales.

With the success of the cartoon series, the idea of building a Disney theme park in Shanghai struck the then city leader.

A decade-long negotiation between the two sides began. But, Disney was cautious about site selection, the first Disney theme park in China opened in Hong Kong in 2005.

The establishment of Hong Kong Disneyland made negotiations between Shanghai and Disney much harder. There was fierce debate centered on whether a second Disneyland was needed in China.

"If a Shanghai Disneyland is built, it is certain many mainland tourists would choose Shanghai instead of Hong Kong," He said. This became a major barrier to negotiation.

As early as 2000, Xu Kuangdi, then Mayor of Shanghai, said 100 million richest Chinese lived in the Yangtze River Delta where Shanghai is located, and they themselves could sustain a Disney park. They also wanted it. To this end, the Pudong New District reserved a piece of land for a theme park for more than 10 years, said professor He.

In the next 10 years, with the rapid economic growth of China, Shanghai rose to be a financial center and the consumption capacity of the Chinese also became greater, which increased the feasibility of building another Disney theme park in China.

In 2009, Shanghai officials said the city was fully prepared to host a Disneyland.

Driving a new economy

Disneyland will become a new engine for Shanghai to power its economy in the wake of the World Expo. It is estimated



when Disneyland is built, it will provide 50,000 new jobs. The fun park is also expected to attract around 80 percent of mainland tourists, as well as part of the tourist flow from other Asian countries.

Zhu Lianqing, a researcher from the Shanghai Academy of Social Sciences, says the Disneyland project will bring the area huge benefits. The project will boost economic development in Shanghai and benefit many sectors, including real estate, tourism, retail, and the animation industry.

Many people living in areas adjacent to the planned park think when the park is completed and with the improvements to transport systems, the value of their properties will rise considerably.

Yang Yu, a research fellow with the National Development and Reform Commission, said in an interview with CCTV the park would not only lift the value of nearby real estate and boost tourism but would also be helpful in transforming the city's economic structure, which would move from depending mainly on manufacturing to service industries. During this transformation, the city still needs competitive brands and products. So building a Disneyland is an important step for the city to realize this purpose.

Concerns

Although there were low construction costs and millions of domestic tourists are expected, and experience based on the operations of the other five Disney theme parks could help Shanghai Disneyland succeed, the fun park still needs to further reduce costs of construction and operation and introduce new attractions to ensure making profits.

Setting the prices of tickets is also crucial. A questionnaire done by the *Shanghai Morning Post* shows ticket prices concern tourists the most. Ninety percent of the respondents said the price would be acceptable if it was 400 yuan (\$61) or below. Other matters that concerned respondents were transportation and operation times.

"I am really looking forward to the Shanghai Disney theme park. We are a generation that grew up watching Disney cartoons. Even now, I like Mickey and Donald Duck very much," said Zhao Jingna, a 29-year-old white collar worker in an education service company in Beijing.

But not all have great expectations for the park. Zhang Xiaoli, a postgraduate at Beijing Language and Culture University, said ticket prices were too high for a student, even at 400 yuan.

Disneyland will also encounter competition from domestic amusement parks in China such as Happy Valley, an entertainment theme franchise which has opened in



Beijing, Shanghai and Shenzhen. Happy Valley has developed rapidly in recent years in the domestic market and is loved by a great number of tourists. Its ticket price is much lower than the average price of Disney parks.

The entry of Disneyland will bring about pressure on the domestic popular culture industry. The cooperation agreement also authorized the joint venture to produce cartoon movies and TV shows. These will promote both the Disney brand and the Shanghai park. It is also to publish a Disney-branded magazine. The agreement also calls for the

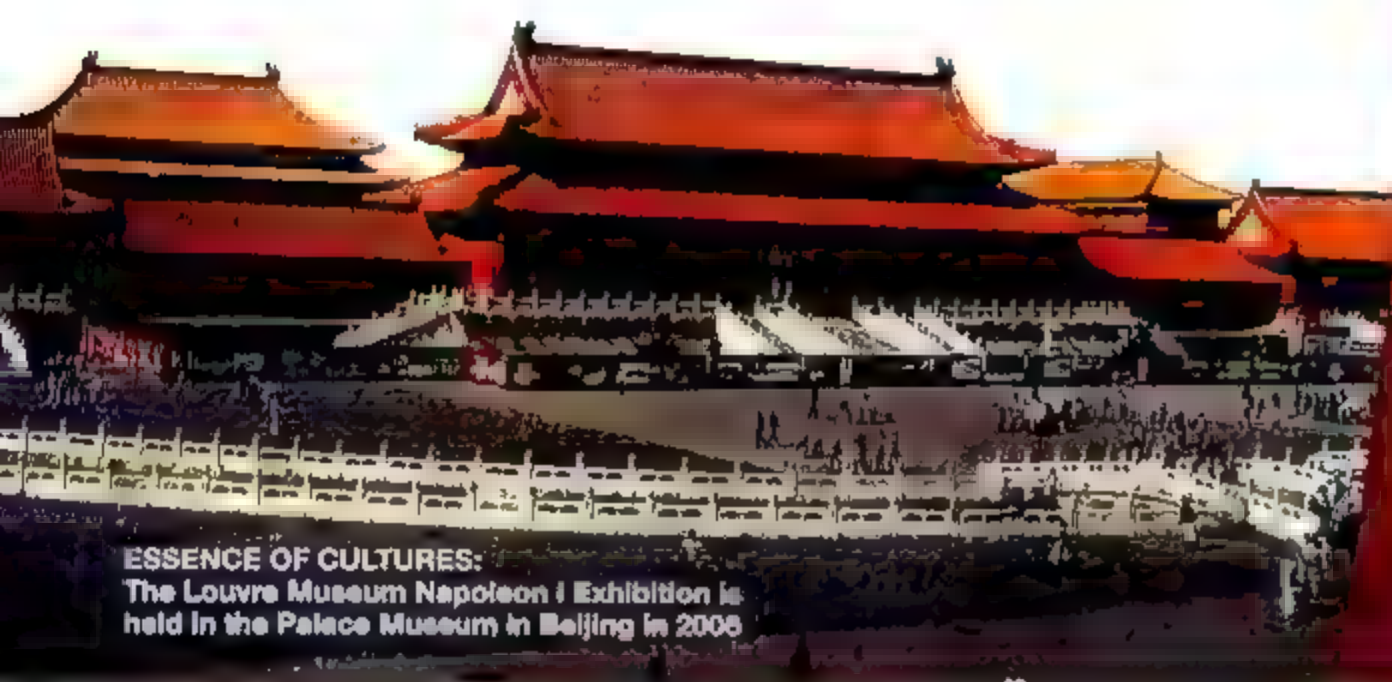
joint venture to authorize local manufacturers to produce Disney-branded toys in China and sell them internationally.

But many Chinese from popular culture and entertainment industries are not overly worried about the impending competition.

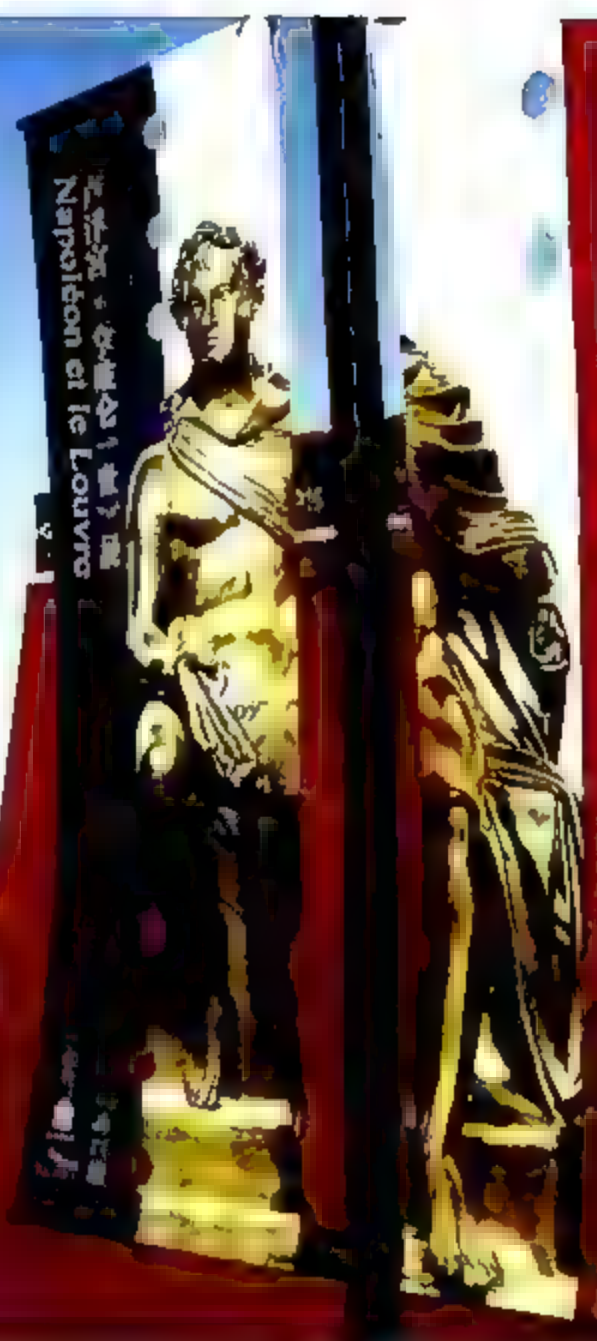
"The entry of Disneyland into China provides a good opportunity for the Chinese animated movie industry to learn. Disney has first-class ideas and experience in animated movie making, which is what the Chinese animation industry needs to learn," said Zhou Ying, who works at the Cartoon and Animation Industry Base in Shanghai. ■

National Treasures

The Palace Museum signs a five-year cultural cooperation contract with the Louvre Museum



ESSENCE OF CULTURES:
The Louvre Museum Napoleon I Exhibition is held in the Palace Museum in Beijing in 2005



BY ZHOU XIAOYAN

The antiquities collected in the Palace Museum in Beijing will be exhibited in the Louvre Museum next year. This was part of the content of a five-year cooperation contract signed between the two museums at the beginning of November in France.

Under the newly signed contract, the exhibition will be held from September to November next year, and about 140 national level treasures of China will be displayed. Centering on cultural relics from the period of Emperor Kangxi (1654-1722) and Emperor Qianlong (1711-1799), the exhibition will introduce life in the palace of China's Ming and Qing dynasties (1368-1911) to European visitors.

It will be the first time for collections of the Palace Museum to be exhibited in a major Western museum, and the preparation for the exhibition started more than two years ago, said Li Ji, Deputy Curator of the Palace Museum. "The Louvre Museum does not have a category for East Asian antiquities. But it has made an exception for the Palace

Museum by holding a large exhibition next year," he said.

The Palace Museum receives 11 million tourists a year while the Louvre Museum receives 8 million. How to balance tourist flow and protecting cultural relics is an issue that worries both museums, said Li.

As symbols of two major cultures in the East and the West, the cooperation between the Palace Museum and the Louvre Museum has gone beyond cooperation between the two museums, but closer contact of the two nations, he said.

Both sides emphasize increasing cooperation on public shows and building visitor flow in the newly signed contract. In the next five years, the two repositories of national treasures will cooperate in joint exhibitions, protection of cultural antiquities and website construction, said the department in charge of foreign affairs of the Palace Museum.

Henri Loyette, Director of the Louvre Museum, said both museums used to be royal residences and have witnessed the history of the country. The two museums agreed

to deepen the cooperation with a variety of ways of collaboration.

"We are really glad to see the cooperation between the two museums. They now sign a contract every five years and have a long-term cooperation pattern. Also on November 28, members of the Louvre Museum will come to China to have joint exhibition together with the China Central Academy of Fine Arts," said Sebastien Cavalier, Cultural Attache of the French Embassy in China.

It is not the first time that the two museums have cooperated. As the largest museums of the two nations, the Palace Museum and the Louvre Museum have worked with each other since early 2004. On October 10, 2005, a 2006-2010 cooperation contract was signed between the two sides, which carried the rider that if the cooperation went well, there would be a contract extension in 2010.

One of the most significant events brought about by the earlier contract was the Louvre Museum Napoleon I Exhibition,

The Palace Museum

Located in the center of Beijing, the Palace Museum was established on the base of the Forbidden City, a royal palace of the Ming and Qing dynasties, and its collection of treasures. Founded in 1925, the museum is the largest museum of the country.

The museum houses a collection of more than 1.8 million valuable art works, most of which were in the possession of the imperial families of the Ming and Qing dynasties. These art treasures include paintings, pottery, bronze, gold and silverware, embroidery, sculpture, jade, lacquer and enamel wares. In addition, there are also court articles, including jewels, accessories, clocks, medicines, furniture and furnishings. It is a unique, superb building complex, integrating outstanding achievements of ancient Chinese architecture.

In 1981, the Forbidden City was included in the List of Key Historical Monuments under State Protection. In 1987, it was put on the World Heritage List of the UNESCO. The Palace Museum used to be as mysterious as the palace itself. But now, with advanced technology and equipment it has built a "digital palace" on the Internet, to unveil its tremendous cultural resources.

(Source: dpm.org.cn)

The Louvre Museum

Originally constructed from 1165 to 1223, the Louvre was built as a palace for aristocrats. As the heir to the century of the Enlightenment and the French Revolution, the museum is now accepted as the "museum among museums," a model and a recognized authority.

Founded in 1793 as a museum for all, the Louvre celebrates humanity's long journey spanning thousands of years, reaching from America to the borders of India and China, and is highlighted by such iconic, universally admired works as the *Mona Lisa*, the *Venus de Milo* and the *Victory of Samothrace*.

Together with the British Museum and the Metropolitan Museum of Art, the Louvre, now a public and multifaceted institution, is recognized as one of the top three museums in the world. It now houses 35,000 works of art in eight departments, displayed in more than 60,000 square meters of exhibition space. Its curatorial departments include Near Eastern Antiquities, Islamic Art, Paintings, Egyptian Antiquities, Sculptures, Prints and Drawings, Greek, Etruscan and Roman Antiquities, and Decorative Arts.

(Source: louvre.fr)

which took place at the Palace Museum from April 5 to July 3 in 2008. During the exhibition, about 100 exhibits relating to Napoleon were on show. All exhibits were provided by the Louvre Museum.

"Besides the Napoleon exhibition, cooperation and communication on management experience and publishing will also be emphasized. Nowadays, greater numbers of Chinese tourists are visiting the Louvre. In order to offer them better service, the Louvre cooperates with Chinese museums so they have a better understanding of what is needed. Cooperation with the Palace Museum is bound to help us make progress in that area," said Christophe Monin, Deputy Director of Cultural Development of the Louvre Museum, in 2006.

As the most famous and largest museums in the world, the Palace Museum and the Louvre Museum share a lot in common. They both used to be palaces and inherited many antiquities; both museums take palace art works as their basis and have gradually expanded their collections; both of them have

abundant collections; both play an irreplaceable role in developing and promoting their cultures; both receive many domestic and foreign tourists each year. As well, they have encountered similar questions recently, such as how to ensure service while receiving so many tourists, how to protect ancient architecture, and how to publicize their cultures.

The Palace Museum said there was considerable significance in strengthening cooperation with foreign museums. It would help publicize Chinese culture and will be very important for the Palace Museum to use others' experience for reference in order to improve itself. Apart from the Louvre Museum, the Palace Museum also has cooperative relationship with eight other foreign museums, including the British Museum, the Metropolitan Museum of Art in New York, and the Tokyo National Museum. ■

COURT TREASURE: An enamel vessel of the Qing Dynasty (1644-1911) displayed in the Palace Museum in Beijing



The Westin Tianjin



Transform your Sunday. Rejuvenate with an indulgent buffet brunch that includes endless champagne at the Westin Tianjin. Awarded several times as the best brunch in Beijing, the Bubbaicious Sunday Brunch finally arrived as well at Seasonal Tastes in Tianjin on November 7, 2010.

The Bubbaicious Brunch features a variety of selections from live cooking stations with hand made pastas, dim sum, BBQ, carvings hot off the oven, an international assortment of cold and hot dishes, an impressive selection of cheese, live crab and lobster for all seafood lovers. The around-the-pillar offerings include fresh salads, Chinese specialties, amazing desserts and more.

Endless Moët and Chandon champagne is not to be missed. There's also a choice of selected beers, wines and other beverages.

Live tunes from the Westin Tianjin Latin band help make the brunch even more like a big party and to celebrate the weekend along with friends until late in the afternoon.

The brunch is priced at 268 yuan per person inclusive of endless soft drinks, coffee and tea, 298 yuan per person inclusive of endless selected beers and wines, or 328 yuan per person inclusive of endless Moët and Chandon champagne. All the prices are subject to a 15-percent service charge.

The San Want Hotel Shanghai



Famous Taiwan fashion models from Eatin Modeling Agency Ltd. were welcomed by Ann Zhu (fifth left, line two), acting General Manager of the Hotel Business Division of Want Want Group during their stay at the San Want Hotel Shanghai.

The Ritz-Carlton, Sanya



Chris Southwick, a 14-year culinary professional who has worked in the company's properties in Sarasota, Moscow, Huntington, Palm Beach and Cleveland, recently arrived at The Ritz-Carlton, Sanya as executive chef.

Southwick was once executive chef of the Ritz-Carlton, Sarasota and oversaw all culinary operations for the 266-room resort. During his tenure with the Ritz-Carlton Hotel Company, he has had the honor of working on many opening teams, assisting with the culinary operations at Grand Cayman, Tokyo.

Georgetown, Hall Moon Bay, Beijing, New Orleans and Philadelphia.

During his career, Southwick has had the distinct pleasure of creating memorable dinners for dignitaries including President Bill Clinton, First Lady Hillary Clinton, Russian President Vladimir Putin and Kazakhstan President Nazarbayev.

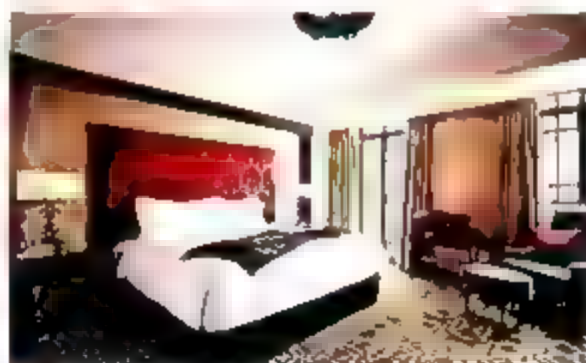
Marriott International

Marriott International and Ctrip.com International Ltd. recently signed a distribution cooperation agreement. Marriott International will leverage Ctrip's cutting-edge hotel reservation platform to help distribute hotels of its various lodging brands worldwide. Ctrip is Marriott's first online travel agency partner in China with direct global system connectivity.



Under terms of the agreement, the reservation systems of both Marriott International and Ctrip will establish direct global connectivity. Through Ctrip's platform, travelers can make bookings at any Marriott hotel worldwide and receive confirmation on a real-time basis.

The Langham, Yangtze Boutique, Shanghai



The Langham, Yangtze Boutique, Shanghai is offering a third night free when booking two nights this winter.

For stays from November 23, 2010 to February 28, 2011, the best available rate comes with complimentary breakfast for one person plus complimentary broadband Internet access. Guests staying for three consecutive nights during this period can enjoy the best available rate for the first two nights, while the third night is free. This three-night stay excludes complimentary breakfast and Internet access benefits.

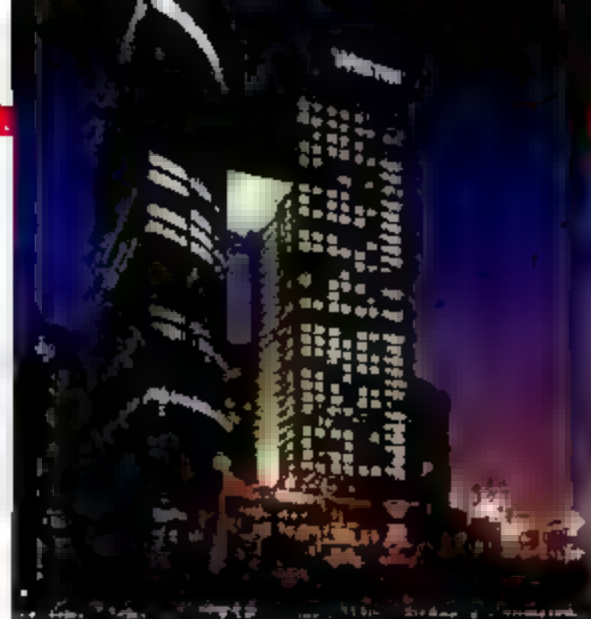
The Westin Guangzhou

Celebrate at Prego Seasonal Tastes. Hong Mian and Qbar Join and indulge in the Westin Guangzhou wonderland with your friends or family.

In the lobby, you could be attracted by the melodious choir, sparkling Christmas tree and the traditional gingerbread house. Soon you feel refreshed by a light white tea scent and imagine that white snow is falling down by watching the ceiling lights. Then walk into one of the restaurants and enjoy your wonderful and warm dinner.

● Prego

A sparkling delight with classic buffet, free flow of beer, soft drink, chilled juice and cham-



pagne with lucky draw and Santa's surprising gifts (Starwood hotels room voucher) is priced at 688 yuan net per person.

● Seasonal Tastes

Pure joy with traditional Christmas buffet, red wine, free flow of soft drink with Christmas Choir and lucky draw (Starwood hotels room voucher) is priced at 488 yuan net per person. Seasonal Tastes will welcome Santa by giving away exciting gifts to the kids.

Hotel Pravo

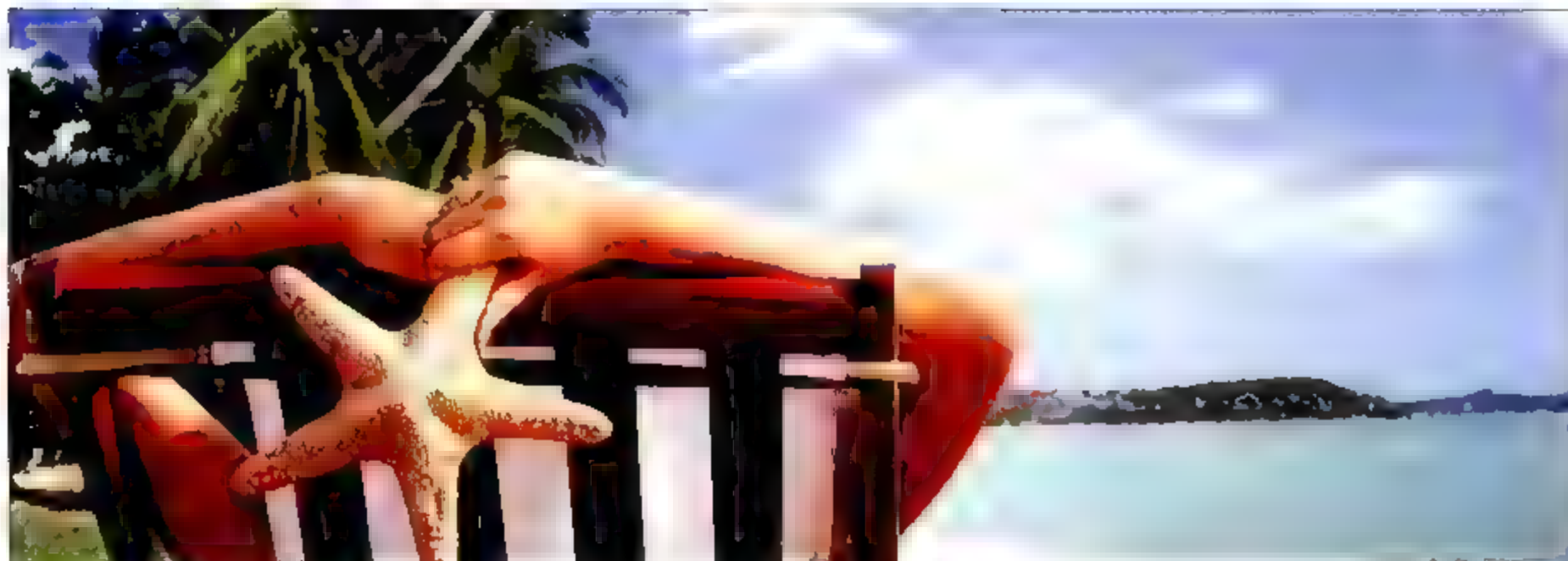
There is a new concept in boutique hotels coming to Shanghai on December 8, 2010. Located on the north Bund and designed to offer personalized, indulgent comfort, Hotel Pravo, with classical Art Deco design style, is the final culmination of one man's decades-long quest to create the perfect hotel.

The dreamer is Steven Wang, CEO of Hotel Pravo, who is also CEO of Brilliant and Consulting Group. What he learned in his early years working with the Ritz Landis Taipei left him with one desire: to create a hotel that gave its guests an experience that is not just memorable, but inspiring and all-embracing.

"I want my guests to feel the hotel surrounds them from their first step through our doors," said Wang. "Every aspect, every feature of the hotel, from the scents on the air to the gentle sounds in the background, has been designed to make our guests feel welcome. Hotel Pravo is a place where every guest is a treasured friend for us to welcome and wrap in personal care and attention."

Scheduled to open in the last quarter of 2010, Hotel Pravo represents a watershed in the hospitality landscape for Shanghai, as it moves away from the World Expo and into the comfortable maturity of a city which knows that it is a world destination. Indulgent, comfortable and offering as enjoyable an experience as possible, Hotel Pravo is a new style of hotel for a new Shanghai.





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Are Profits Good Reason for Rebuilding a Long-lost Kingdom?

An ancient Chinese kingdom largely lost over time may come alive again if the plans of a less developed county in Hunan Province are realized.

Xinhuang County announced on October 16 to rebuild the ancient Kingdom of Yelang using a 5-billion-yuan (\$746 million) investment. The rebuilt kingdom would feature 20 theme sites occupying 30 square km and would take advantage of the area's canyon-filled topography and rich religious atmosphere. Construction will begin next year, with a projected completion date of 2020.

Yelang was one of many kingdoms that existed in the southwestern part of the territory controlled by the Han Dynasty (206 B.C.-220), however, it disappeared long ago. Most people agree it was located in the northern part of today's Guizhou Province. But due to a lack of reliable archaeological evidence, Guizhou and neighboring Hunan continue to dispute the actual location of the kingdom.

Investors in the proposed project say they hope it will allow more people to appreciate the mysterious culture of Yelang. According to estimates, more than 5 million tourists per year will visit the rebuilt kingdom after it is completed.

After news of the project was released, hot discussion erupted, with many people questioning the plan. Their concerns centered on four main issues: First, people still argue about whether the capital of the Yelang Kingdom lies in today's Hunan or Guizhou. Second, since Xinhuang has an annual fiscal revenue of only a little more than 100 million yuan (\$15 million), where is the massive investment for this project supposed to come

from? Third, since the kingdom disappeared nearly 2,000 years ago, on what basis will it be reconstructed? Fourth, is this just another instance of real estate speculation?

Supporters of the plan, on the other hand, think the goal of the project is to bring tangible economic benefits and fame to the county using the "brand" of "Yelang." They think creating a tourist attraction by combining Yelang culture and unique natural resources is a good idea and worthy of support.

Local officials from Xinhuang say the investment for rebuilding the Yelang Kingdom will come from private businesses and the project won't increase the county's budgetary burden.

Not suitable for rebuilding

Ma Zhenguo (www.zjol.com.cn): The Yelang Kingdom is an enigmatic memory. Creating a real version of this kingdom to replace this enigma won't solve its mystery; it will just destroy the beauty of that mystery. The most practical value of this project would be as a wealth factory—using history and the name of an ancient kingdom. Although this fictitious place could bring in a large amount of money, it would take away history from our minds.

For people living in today's world, where economic construction is the central task, using rich historical resources as a means of making money is not a sin. However, distorting history in order to make money is certainly a crime.

Sheng Dalin (Xi'an Evening News): What does 5 billion yuan mean to Xinhuang? Its normal budget revenue is only 68.38

million yuan (\$10 million). That is to say, the cost for rebuilding the Yelang Kingdom would be about 50 times the county's annual fiscal revenue.

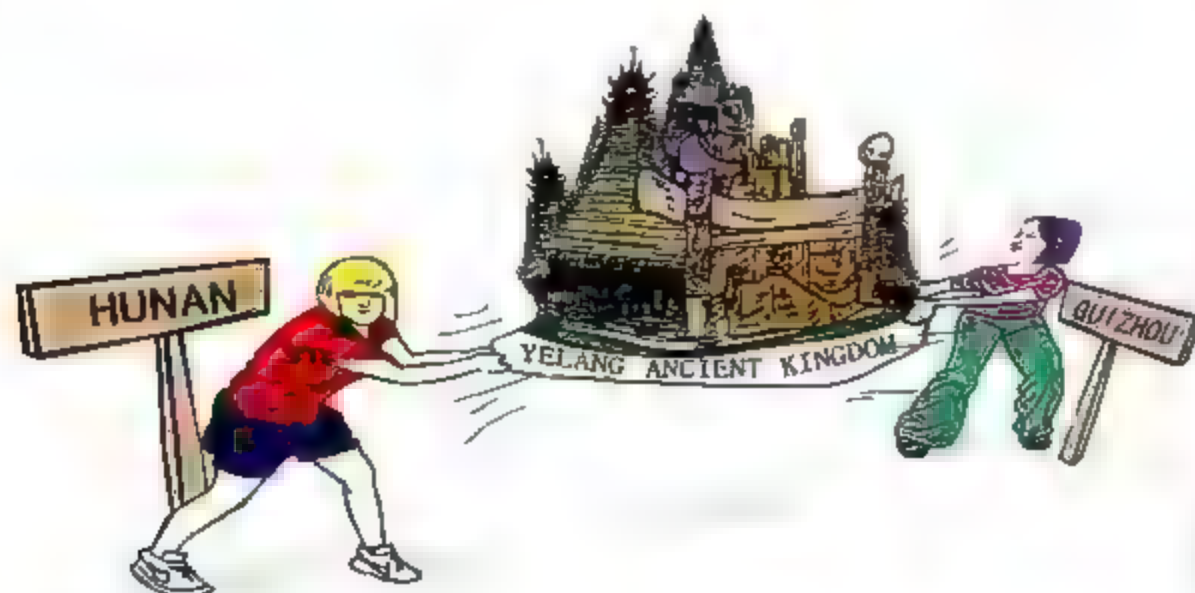
Reconstruction of the Yelang Kingdom is a tourism project. Xinhuang is obviously looking for it to bring in lots of money in the future. But how much tourism income will be needed to recoup the investment? Since the project was approved, this means the majority of the authorities involved in the decision are confident about its future. However, it doesn't necessarily mean the public will support the project. The actual location of the Yelang Kingdom has not been verified, but most people think that it was located in what is now Guizhou. Furthermore, Xinhuang lies in a remote area, making the potential attractiveness of the rebuilt kingdom not very bright.

When investing in construction and cultural development projects, it is necessary to undertake scientific planning and proceed based on one's real capability. We should be confident but not conceited; we should advance, but not be rash. Xinhuang seems to have excessively high expectations for the impact of Yelang culture; at the same time, it seems to lack a sober realization of its capacity to bear the economic burden of this project. This lack of accurate self-assessment smacks of conceit.

Tang Wei (www.dzwww.com): Culture doesn't have any room for copying or tampering; to do otherwise is to be irresponsible to future generations. If the historical facts future generations see are a sham, what will they feel? There is no final conclusion about what the Yelang Kingdom really is. It is immoral to try to seize the position of defining this kingdom for others when more academic research about the matter is still needed and disputes still exist about its original location.

When it comes to economic development, we should base our plans on our actual capability. An investment of 5 billion yuan perhaps will end up being a pain for all the people of the remote county of Xinhuang, rather than a "group feast."

Social benefits as well as economic benefits should both be taken into account when developing the economy. An imagined Yelang Kingdom may be appealing to some officials but not necessarily to tourists. As for where the money should come from, how the money should be managed and what the economic benefits will be, people should



Li Shidong

carefully study the feasibility of the project. Rushing forward with the project is a form of conceit that ignores facts and long-term development issues.

Yang Guodong (*The Beijing News*): There aren't many records about the Yelang Kingdom. It mainly exists in people's imaginations; there really aren't many historical materials or cultural relics to which one can refer. The planned rebuilding of the Yelang Kingdom won't have many advantages over the many tourist attractions today that employ ancient-looking architecture. Using Yelang culture to get tourists to accept this project is probably just wishful thinking.

Local governments that do anything they can to grab cultural resources may make their area famous, but they actually do not create any positive public image for their area—such as might derive from having abundant historical and cultural resources. Rebuilding projects worth hundreds of millions of yuan or even billions of yuan amaze people. But they mainly cause people to worry about the financial capability of local governments. If the imitated ancient architecture doesn't attract tourists and the huge investment can't be recouped, what can officials do in the aftermath? Instead of spending so much money on constructing buildings for ancient people who are long dead or may never have existed, Xinhuang should use the money for improving people's livelihood.

Cities with genuinely rich historical and cultural legacies don't need to contend with others. Ancient people thousands of years ago can't bring any glory or fame to today's cities. The image of a city ultimately depends on its achievements. Shenmu County in Shaanxi Province, which has offered free medical care for local residents, is not the home of any famous people nor did it serve as a kingdom capital. But it's the most admirable county in China. Since ordinary people have received real benefits, the city brand of Shenmu has gained nationwide fame. Instead of taking a shortcut by spending huge amounts of money to be known as the home of some celebrity, local governments should earnestly solve problems related to the people's livelihood by providing better public services. In that way, they can use the praise of the public to gain the upper hand in the fiercely competitive war among cities to market themselves.

Wang Pan (*Bohai Morning Post*): There are two kinds of forgery in archaeology: One is conducted by today's people and the other by ancient people. If ancient people create something fake to deceive today's people—it's still fake. Some people wildly go about building tourist attractions of alleged historical significance; sometimes people even go ahead and build without any

evidence or basis. After a long period of time, however, how will our descendants be able to tell the fake from the real?

If ancient people were irresponsible to later generations; if they battled over cultural heritage in order to make money off it; if ancient people randomly created ancient kingdoms and ancient cultures, then is our cultural heritage still pure? Absolutely not. In contrast, we are just a moment in human history. After we become fossils and become the past, how will future generations judge the fake culture we have created for economic reasons? They will certainly say it's a forgery—just one counterfeited by ancient people.

Room for tolerance

Chen Lihua (www.chinanews.com.cn): In the past few years, there have been many cases of locales contending over ancient

(although pie in the sky) to change its present condition as long as its behavior doesn't hurt others.

In China, people always judge a man by his victory or defeat. There was a time when merchants from Wenzhou, Zhejiang Province traveled around the country to make money, with lots of them being shoe cobblers or barbers and so on. They were once discriminated against nationwide. Now, however, some Wenzhou business people have become really successful. Therefore, fewer and fewer people laugh at them, while more and more people praise this striving spirit.

Why can't we look at Xinhuang's plan to rebuild the Yelang Kingdom as a manifestation of this kind of daring, enterprising behavior? Is it too much to ask for more tolerance?

Dear Readers,

"Forum" is a column that provides a space for varying perspectives on contemporary Chinese society. We invite you to submit personal viewpoints on past and current topics (in either English or Chinese).

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Please provide your name and address along with your comments.

cultural sites or where a famous person's birthplace was. In my opinion, these disputes don't hurt anything but boost the development and protection of cultural heritage. We can imagine that when disputes occur, each side will present more evidence to prove itself correct. Meanwhile, they will both pay more attention to cultural development in order not to lose the edge in the argument.

From this perspective, Xinhuang wants to invest 5 billion yuan to rebuild the Yelang Kingdom, hoping to create a tourist attraction that combines Yelang culture and unique natural resources. As long as the project has been scientifically discussed and won local people's support, the project is worthy of our encouragement.

Chen Siwei (*China Business Times*): Actually, there's nothing essentially wrong with Xinhuang trying its best to create a brand and build up its tourism industry. People living in rich places can hardly understand poor people's desire to cast off poverty and become prosperous. Since you don't know how poor they are and can't know what kind of life they lead, you can't truly and fully understand them. A remote county, with no particular advantages, deserves our tolerance of its attempt

Liu Zhiquan (*Beijing Times*): The Yelang Kingdom really existed in history; it has nothing to do with deceit. Therefore, from the perspective of commercial marketing, it totally makes sense to use this well-known historical and cultural theme to integrate and package relevant resources and promote them to the public.

From another standpoint, whether the Yelang Kingdom used to be in Xinhuang is a cultural debate. Due to the kingdom's short existence and the limited amount of surviving materials, it's hard to reach a final conclusion. However, since Xinhuang has been known as "Yelang" for a long time, there must be some basis for that.

The main problem associated with the development of the tourism industry is whether natural or cultural resources will be destroyed in the process. This is also one of the main concerns of the public concerning the development of cultural heritage-centered tourism, and indicates why there is a need for strong supervision from government departments. As for whether the 5-billion-yuan investment has gone through a scientific budget-making process, that's a topic totally separate from the dispute regarding the Yelang Kingdom. ■

Funny Creatures

By VALERIE SARTOR

"Though we don't show as much direct emotion as Westerners, that doesn't imply the Chinese lack positive feelings," said Yang Junheng, my scholarly friend. "In fact, Chinese people have a deep-seeded sense of humor, which has a great impact on Chinese art and literature."

"But Yang," I protested, "Classical Chinese literature is hard to understand. Chinese paintings seem beautiful but alien. Where is the humor?"

"You must look closely," he said. "We all know life is serious. Even in Asia, laughing philosophers are in the minority. China is the only culture that has created a god of humor. Look at these scrolls—Chinese Taoists and Buddhists made a kind of religion of humor, by having monks performing dances around a ceremonial toad. Scholars made fun of the comedy of manners that ancient people engaged in to succeed. In the *Book of Songs*, as well as in Tang Dynasty (618-907) poets Li Bai and Du Fu's works, the human condition is often expressed humorously. Chinese writers do not look down on humor, as Western people do. You value John Milton over Samuel Butler. Thank goodness for Chaucer and Thurber!"

"But what about painting?" I countered.

"I have heard that only one Judeo-Christian angel in 3,000 years actually smiled—and, not surprisingly, that angel was French—the Angel

of the Annunciation at Rheims. By contrast, Chinese mythology depicts many gods and deities as laughing: some were even making mischief. Your gloomy Dante Alighieri obsessed about the circles of hell, while the Chinese created the romantic legend of the earthly cowherd and the heavenly spinning maid. I concede that ancient Greeks had lovely stories about the cosmos, with some amusing gods and deities. Nevertheless, our deities are more diverting, more pleasant, and have more laughter, especially in relation to those drawn in Jewish and Christian ideologies."

"Are you implying the Chinese are happier than Westerners because they are less religious?" I asked.

"Not at all," he replied. "The Chinese perspective is simply different. Christianity's paradigm perceives man as the dominant creature. Taoist and Buddhist thought, in contrast, sees man as a fellow creature, part of the menagerie of life. Ancient Chinese lived close to animals. They domesticated many species, and they had great fondness for pets. Chinese artists depict animals with humor; by laughing at or with them, they are equally part of the *comédie humaine*."

"Some Western artists idealize animals, as well as the human form. I'm thinking of Albrecht Dürer and Edgar Degas," I replied.

"But Chinese artists chose freedom of imagination over idealization," said Yang. "They caught animals, for example, in surprising forms and attitudes. Yet, from one point

of view, we Chinese act as purists. Ancient Chinese didn't anthropomorphize, using beasts to tell moral tales, as Grimm, Jean de La Fontaine and even Ivan Krylov did."

"I guess because the birds and beasts didn't have to obey strict Confucian orders," I responded with a smile.

"Perhaps," Yang said. "Animals are simply and naively lovable. To live with animals is to live freely, and with a great variety of companions."

"So where is the humor in depicting animals?" I asked him.

"I've seen a Tang Dynasty headrest, shaped into a pig! The sleeper rests his head between snout and tail—is that not humorous?" said Yang.

"Yes," I conceded, "But we have Donald Duck and Mickey Mouse—they're quite funny."

"All ducks are funny creatures; they entertain by bobbing and quacking. Let's examine instead a serious bird. The phoenix symbolizes solemnity, piety, and sacredness. It's not a bird for fun? Yet the phoenix painted on a kitchen dish can share in general good humor. Anyone can eat out of it; the smiling bird contributes to our sense of well-being."

"Do you have a funny rat?" I asked.

Yang said, "In painting we have a very famous picture of rats scavenging together as a family. The mother rat has eaten her way through a melon, so her head and tail are at either end; she's digging out juicy pieces in the middle for her babies. This is dry Chinese humor. A bit strange, but moving. Stay longer in China—you will understand more and more." ■

The writer is an American living in Beijing.



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China Quarterly Update

中国经济季报

World Bank Office, Beijing
世界银行驻华代表处

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Overview

China's growth has moderated somewhat, with a shifting composition. GDP growth declined from 10.6 percent in the first half to a still surprisingly strong 9.6 percent (yoy) in the third quarter. The domestic economy cooled as the stimulus impact is fading out and the monetary stance is being normalized. Investment and urban consumption have decelerated, and so have imports. Meanwhile, with exports strong, net external trade has contributed significantly to (yoy) growth and the external surplus is rising again.

The global outlook is broadly favorable, but risks remain. Despite an expected deceleration, global growth prospects are fairly favorable due to emerging market strength. But risks include a weaker outlook in high-income countries and ample international liquidity as well as the global imbalances and possibly contentious policies triggered by them. Global price pressures remain contained by spare capacity in many countries. But there are upward inflation risks internationally.

China's own economic prospects remain sound, with risks both ways. Growth may ease further as global growth decelerates and the macro stance is normalized further. However, the expansion should remain supported by the traditional growth drivers and a robust labor market. We have edged up our GDP growth projection for 2010 to 10 percent after the third quarter data. We see growth at 8.7 percent in 2011 and easing somewhat further in the medium term. Pushed up by higher food prices, inflation may stay above the 3 percent target for a while. It is unlikely to escalate as core inflation remains in check. However, raw commodity prices may rise further while sustained high wage growth is unlikely but cannot be ruled out. Given the fundamental drivers of property prices, they are unlikely to be contained for long. On current trends and policies, the external surplus is on course to rise in 2011 and the medium term.

Further normalization of the macroeconomic stance is needed to guard against macro risks. The key concerns are asset price increases, strained local finances and non-performing loans, while inflation risks cannot be ruled out. Two-way risks call for policy flexibility. The authorities are broadly on track to normalize the overall monetary stance and meet the 2010 quantitative targets. They have also started to raise interest rates, although interest rates will need to rise further. International liquidity poses challenges to monetary policy, but these should be more manageable in China than in some other emerging markets. Nonetheless, measures can be taken to enhance protection against unwanted capital flows.

The preparations for the 12th Five-Year Plan (2011-15) call for focus on structural issues and reforms. Changing the growth pattern is rightly a key target. The need to rebalance to more domestic demand-led, service sector-oriented growth seems stronger now than five years ago, in part because the international environment is less favorable. Rebalancing will not happen by itself—it will require significant policy adjustment. This update also discusses policies that would help boost private sector development, focusing on open-

概要

中国经济增长有所放缓，增长结构有所改变。三季度GDP的同比增幅从上半年的10.6%回落，但依然令人惊讶地保持了9.6%的有力增长。随着刺激政策的影响减退，货币供应趋于正常，国内经济有所降温。投资、城镇消费以及进口增速都有所放缓。与此同时，出口保持强劲，净出口为经济增长作出了很大贡献，外部盈余又开始上升。

全球经济前景总体来说较为有利，但仍存在风险。尽管增长速度出现了预期中的下降，但由于新兴市场表现强劲，全球增长前景仍然良好。然而，风险主要包括高收入国家前景变差、大额的国际流动性、全球经济失衡及其可能引发的争议性政策等。从全球来看，由于很多国家产能过剩，价格上涨势头将会受到抑制。不过，国际上通胀上行的风险依然存在。

中国自身的经济前景较好，上行和下行风险同时存在。随着全球增长预期减速以及国内宏观政策正常化，中国的增长速度可能会进一步放缓。不过，传统的增长动力以及强劲的劳动力市场仍会支撑经济的扩张。三季度数据出来后，我们将对2010年全年GDP增长速度的预测略微上调至10%。我们预计2011年的增速为8.7%，趋势(潜在)增速在中期内将有所回落。受食品价格上涨推动，通货膨胀率在一段时间内可能保持在高于3%这一控制目标的水准。由于工业部门核心通货膨胀率受到抑制，总体通货膨胀不太可能出现大幅攀升的现象。但是，大宗原材料产品价格可能继续上涨，工资持续大幅增长的可能性虽然不太，但也不能完全排除。考虑到存在房价上升的根本动力，房价不可能长期不变。依照当前的发展趋势和政策，2011年以及中期来看外部盈余势必上升。

需要使宏观经济政策进一步正常化，以防範宏观风险。最主要的担忧是资产价格上涨、地方财政紧张和银行呆坏账，而通胀风险也不能被排除。因为风险是双向的，这就要求政策的制定具备灵活性。当局正在将宏观货币政策正常化，2010年货币政策的量化指标应能够实现。当局已经开始提高利率，不过还需要进一步加息。国际流动性对货币政策造成挑战，但与其他一些新兴市场国家相比，中国有更强的管理这些挑战的能力。无论如何，还可采取措施进一步防范有害资本流动。

第十二个五年规划(2011-2015)的制定应将重点放在结构性问题和改革上。改变增长方式是一个核心目标。现在，推动经济再平衡、实现以内需拉动、以服务业为导向的增长，比五年前更为紧迫，这在一定程度上是因为国际环境变得更为不利。经济再平衡不会自发实现，要求进行重大政策调整。本期

ing up sectors and reducing entry barriers, addressing investment climate constraints, and supporting research and development and innovation by the private sector. Further progress in energy conservation and renewable energy calls for further rebalancing the pattern of growth, energy pricing reforms, more market-based mechanisms, lower cost of renewable energy, and accelerated development and diffusion of new energy technologies.

Recent Economic Developments

China's continued rapid growth during the global crisis reflected large scale stimulus and strong underlying growth drivers. The stimulus package implemented since end-2008 gave a well-timed temporary domestic demand boost. The underlying growth drivers, in place since long, stem from sound fundamentals and a policy setting that stimulates industry-led, capital intensive growth.

Growth moderated to a still rapid pace of 9.6 percent (yoy) in the third quarter of 2010, with a shifting composition (Figure 1). The domestic economy cooled as the stimulus impact is fading out and the overall monetary stance is being normalized. Since August, measures to meet the 11th Five-Year Plan's energy efficiency targets may also have had some effect. Meanwhile, the (yoy) contribution of net external trade shifted from strongly negative in mid 2009 to strongly positive in mid-2010, reflecting a rebounding world economy and further global market share gains. Sequential GDP growth held up better than expected at 9.1 percent in the third quarter at a seasonally adjusted annualized rate (SAAR). Production-wise, the slowdown was led by industry—heavy industry in particular—with the expansion in the service sector steadier (Figure 2).

So far, the growth moderation has been largely domestically-led.

● Investment continued to slow gradually through the third quarter (Figure 3). After the surge, government-led investment has normalized in 2010, slightly lagging overall investment. Strong real estate investment has prevented a more abrupt slowdown in overall investment. In April, the government took measures to contain housing prices, including higher minimum down payments for mortgages, banning mortgage discounts, and restricting financing of developers. However, because of the lead-time, real estate construction and investment have not yet slowed significantly, even though sales initially weakened substantially (see below). Other market-based investment has continued to expand robustly.

● Consumption growth has also softened, especially in urban areas. With real urban income growth moderating in 2010 because of higher food-price-driven inflation and slower housing sales (which trigger slowdown in consumption spending on household items), urban consumption has decelerated significantly through the third quarter. In rural areas, slower "business income"—in part because of the supply shocks causing the higher food

季报也讨论了那些有助于民营企业发展的政策改革,重点是要将更多产业向民营企业开放,减少准入壁垒,消除投资环境的制约,支持民营部门研发活动,提高其创新能力。要在节能减排和可再生能源方面取得进一步进展,就要转变增长方式,进行能源价格改革,更多使用市场机制,降低可再生能源的成本,并加快新能源技术的开发和推广。

近期经济形势

中国在全球危机中继续保持快速增长,既是大规模刺激措施的结果,也反映了经济的内在增长动力。自2008年底以来实施的一揽子刺激计划及时拉动了短期的国内需求。而内在的增长动力则存在已久,它来自良好的经济基本面以及政府方面刺激工业主导、资本密集型增长的政策框架。

今年前三季度增速稍有回落,但仍保持了9.6%的高速增长,但增长的结构发生变化(图1)。随着刺激措施的效果逐渐消退,总体货币立场的正常化,中国国内经济有所降温。自八月以来,为了达到“十一五”规划的节能减排目标的一些措施也有一些影响。与此同时,净贸易对增长的贡献从2009年中的很大负贡献转为2010年中的很大正贡献,这反映出世界经济的回升以及中国在全球市场的份额进一步增大。三季度GDP环比增长9.1%(季节调整折年率,SAAR),好于预期。就生产方面来说,增长放缓主要是工业引起的,特别是重工业,而服务业部门的增长保持平稳(图2)。

迄今为止,增长放缓基本上是由国内因素造成的。

● 三季度投资继续放缓(图3)。经历了去年的投资潮之后,2010年政府主导投资趋于正常,增幅略低于社会总投资的增长。房地产业的投资增长强劲,使社会总投资增幅没有出现更大下降。4月,政府出台了遏制房价上涨的一系列措施,包括提高按揭贷款首付比例、取消贷款优惠利率、对开发商的融资进行限制等。然而,由于政策的效果需要一段时间才能显现,房地产的建设和投资还没有出现大幅减缓——尽管房地产销售在新政出台之初有大幅下降(见下文)。其他的市场化投资继续有力增长。

● 消费增长有所回落,特别是在城镇地区。由于食品价格上涨,2010年城镇居民实际收入增长放缓。再加上住房销售趋缓(减少了家居产品的消费),城镇居民消费增长在今年前三个季度大为减缓。在农村地区,农业收入虽然增长缓慢(一定程度上是由于供给冲击,也正是这些冲击等造成了食品

Figure 1. Solid growth with shifting

图1. 增长仍稳健,但结构正发生变化

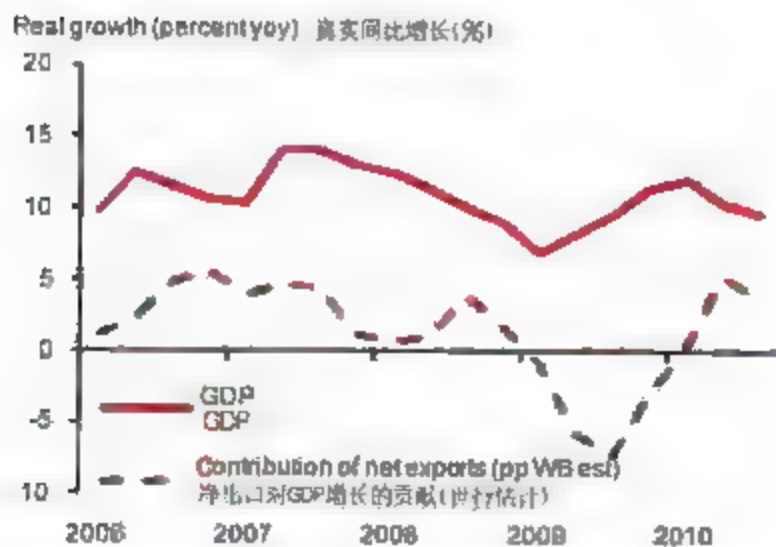


Figure 2. Some slowdown more recently

图2. 最近增速有所放缓

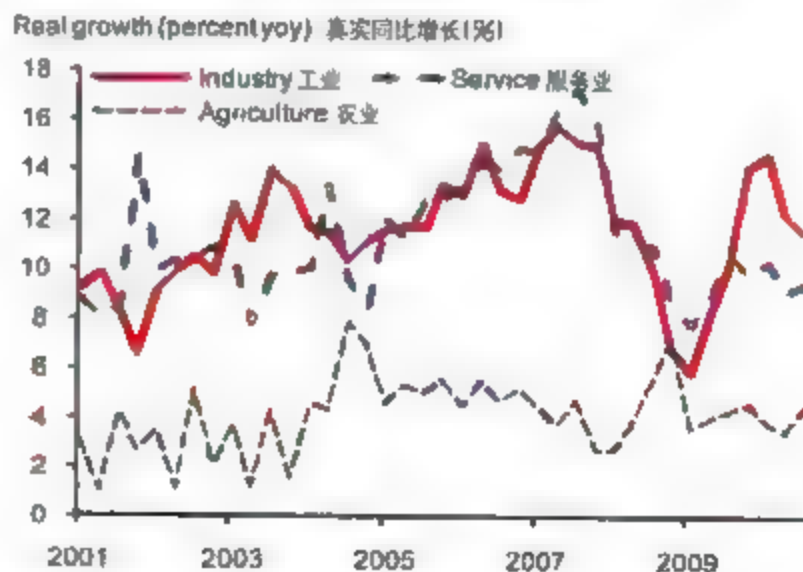
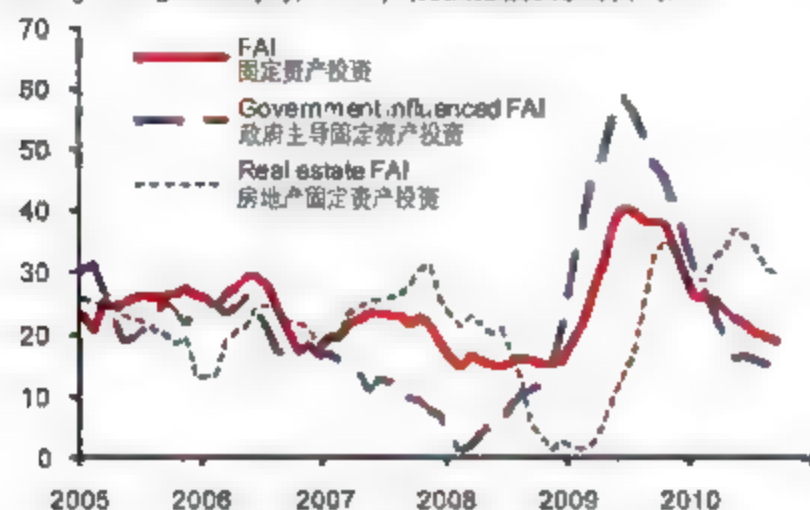


Figure 3. Investment has slowed, led by government-influenced investment

图3. 投资增速因政府主导投资下降而放缓

Real growth (percent yoy, 3mma) 真实同比增长(%, 3月平均)



Source: CEIC, CPB (Netherlands Bureau for Economic Policy Analysis), World Bank staff estimates.
数据来源: CEIC 数据库, 荷兰经济政策分析局, 世界银行工作人员估计。

prices—was more than offset by strong increases in migrant wage income and government transfers. Rural cash consumption growth held up through the third quarter. However, overall consumption growth decelerated, because of the higher weight of urban spending. Retail sales also moderated slightly (Figure 4).

With exports strong, domestic demand and imports easing, and a broadly unchanged growth pattern so far, the external surplus is increasing again.

● China's highly competitive exports have continued to outpace global imports. Global import demand has slowed recently, after the post-recession rebound, and import volumes (in constant prices) in the world outside China are still somewhat lower than a year ago (Figure 5). However, despite recent easing, China's merchandise export volumes were up 9.6 percent on two years ago in the third quarter, implying further market share gains.

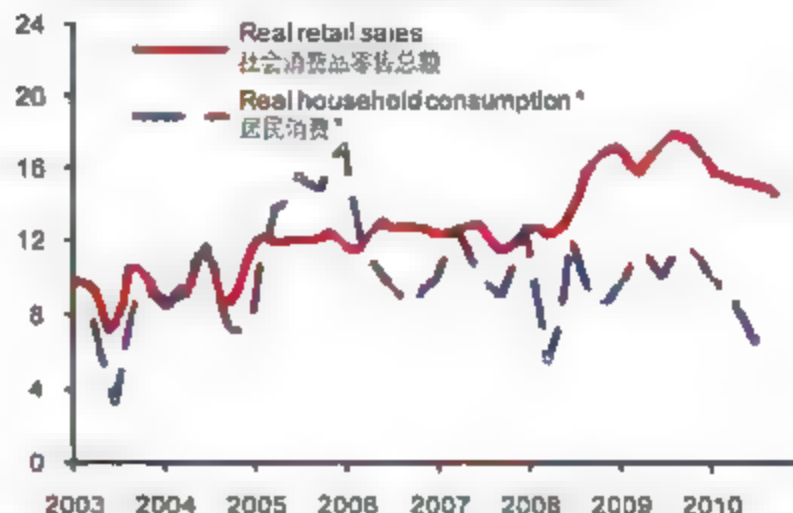
● The expansion of import volumes has slowed alongside investment. After the stimulus-driven surge earlier on, slower investment and heavy industrial production caused imports to decelerate this year, particularly raw material imports (Figure 6). Imports of machinery and equipment have held up better and car imports have also remained strong. Overall merchandise import volumes were 22.6 percent higher than 2 years ago in the third quarter.

● China's terms of trade (TOT) were unfavorable in the first half, but

Figure 4. Consumption has also eased, led by urban spending

图4. 消费增速因城市消费下降而放缓

Change (percent yoy, 3mma) 真实同比增长(%, 3月移动平均)



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。
* Weighting up the household survey data. * 代表用家庭入户调查数据加权。

价格的上涨), 但农民工工资的提高和政府的各种补贴大幅增加, 完全抵消了农业收入增长缓慢的不利影响。到三季度为止农村现金消费保持有力增长。但由于城镇居民消费在总消费中所占比重高于农村, 城乡总消费的增长呈放缓趋势。消费品零售总额的增长也稍有减缓(图4)。

当前出口强劲, 内需和进口减弱, 经济增长模式基本上没有什么变化, 因此外部盈余又在增加。

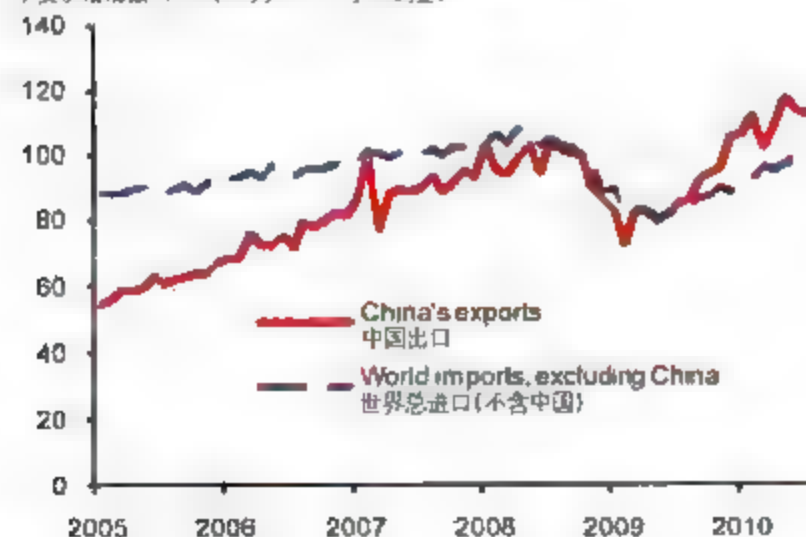
● 中国具有高度竞争力的出口增长继续高于全球进口的增长。全球进口需求增长在经过了衰退后的反弹之后, 近期有所减缓, 全球除中国以外所有国家的进口额(按不变价格计算)仍低于一年以前(图5)。然而, 中国的出口增长虽然最近有所放缓, 但三季度的商品出口额比两年前提高了9.6%, 意味着中国在全球市场的份额继续扩大。

● 进口增长随着内需减弱而放缓。在前段时间由刺激措施带来的进口激增之后, 投资和重工业生产的减缓导致进口增长在今年回落, 尤其是原材料的进口(图6)。不过机器设备的进口保持相对良好, 汽车进口也保持强劲。三季度商品总进口量比两年前高出22.6%。

Figure 5. Export growth has been strong

图5. 出口增长保持强劲

Index constant prices (October 2008 = 100 sa)
不变价格指数(2008年10月=100, 季节调整)

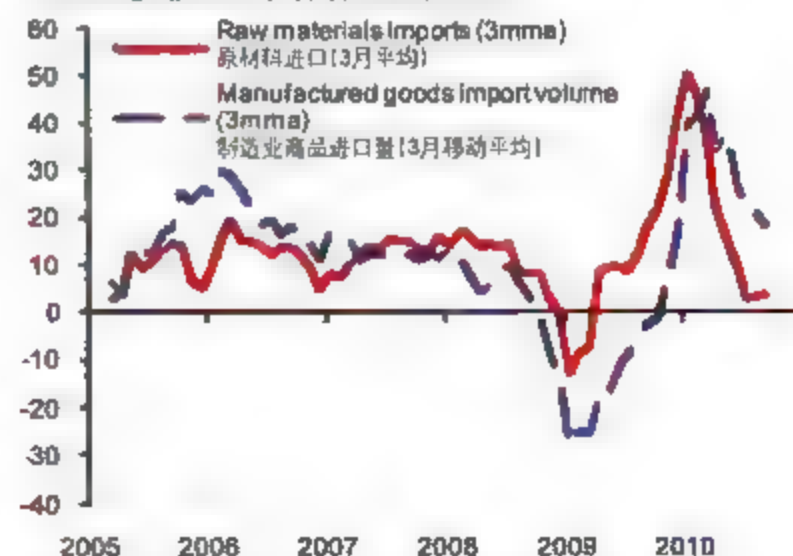


Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

Figure 6. Imports are slowing after the earlier surge

图6. 进口在早期激增后开始放缓

Real change (percent yoy) 真实同比增长(%)



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

are turning around. In the first half of 2010, the TOT were an estimated 15 percent lower than a year ago as commodity prices were sharply higher while spare capacity in the manufacturing industry worldwide depressed China's export prices (Figure 7). However, as commodity price increases are moderating while export prices are recovering, the TOT are turning around again—in September they were down only 4.2 percent over a year ago—adding substantially to the current account surplus.

● **The trade surplus is rising again (Figure 8).** The trade surplus declined strongly in 2009 because China's domestic economy—and thus imports—kept on growing, supported successfully by massive stimulus, while the global crisis depressed China's exports. Now, with the impact of the stimulus fading out and imports slowing, little change so far in China's underlying pattern of growth, and the world economy recovering, the external surplus is rising again, even though this was masked in the first half by TOT effects. Thus, while in the first quarter of 2010 the trade surplus was \$47.7 billion lower than a year ago, in the third quarter it was \$26.5 billion higher than a year ago.

Consumer price inflation has risen on higher food prices. CPI inflation rose to 3.6 percent (yoy) in September (Figure 9). About two thirds is contributed by higher food prices, largely because of problematic weather domestically but with additional impact from higher international food prices. Despite renewed increases in international prices for industrial raw materials, input prices in China are still falling month on month and the (yoy) PPI increases are moderating. Meanwhile, core inflation remains low as strong productivity growth in manufacturing has largely offset sizeable wage increases in recent years (Box 1). Nonetheless, after falling in 2009, unit labor costs in manufacturing rose significantly in the first three quarters of 2010 (yoy) because of the particularly high wage increases granted earlier this year (Figure 10).

Property prices have hardly budged since April. According to the NBS's 70 cities index, the most closely watched by policymakers, price rises were contained during June–August amidst weak housing sales. However, housing prices rose again by 0.5 percent month on month in September as sales recovered. In response, the government added some measures in September, including increasing the minimum down payment ratio for first mortgages to 30 percent.

Despite some exchange rate appreciation against the U.S. dollar, foreign exchange accumulation is accelerating again. Between the end of the temporary peg in mid-June and early November the RMB has appreciated 2.3 percent against the U.S. dollar. As the U.S. dollar weakened substantially against many other currencies, in nominal effective terms the RMB has depreciated in this period, although the nominal effective exchange rate is still more appreciated now than in mid-2008, when the temporary peg was introduced.

● 上半年中国的贸易条件较为不利,但形势正在扭转。2010年上半年原材料价格大幅上涨,同时全球制造业的闲置产能抑制了中国的出口价格,因此中国的贸易条件比去年下降了15%(图7)。不过,随着原材料价格上涨放缓和中国出口产品价格的回升,中国的贸易条件再次扭转——9月份只比一年前降低4.2%,大幅提高了经常账户盈余。

● 总的看来,贸易顺差又在上升(图8)。2009年由于受到大规模刺激政策的支持,内需保持有力增长,从而带动进口增长;同时出口由于全球危机而受到抑制,因此贸易顺差大幅下降。现在,刺激政策的效果逐渐减退,进口增速开始放缓,中国的经济增长模式也没有什么变化,而世界经济正在逐渐复苏,因此中国的外部盈余又开始上升——尽管上半年不利的贸易条件掩盖了这一情况。这样,虽然2010年一季度的贸易顺差比一年前降低477亿美元,但三季度则比去年同期高出265亿美元。

通胀的提高主要由食品价格上涨造成。9月居民消费价格指数(CPI)同比提高3.6%(图9),其中三分之二来自食品价格的上涨。这主要是由国内的恶劣天气,加之近期国际食品价格上涨造成。虽然国际原材料价格近期重又开始上涨,中国的进口价格仍在逐月下降,生产者价格指数(PPI)的同比增幅也在回落。同时,由于制造业生产率的强劲增长基本上抵消了近年工资大幅上涨的影响(专题框1),核心通胀继续保持低位。不过,制造业的单位产值劳动力成本在经历了2009年的下降之后,由于今年早些时候的大幅加薪,前三季度同比有显著提高(图10)。

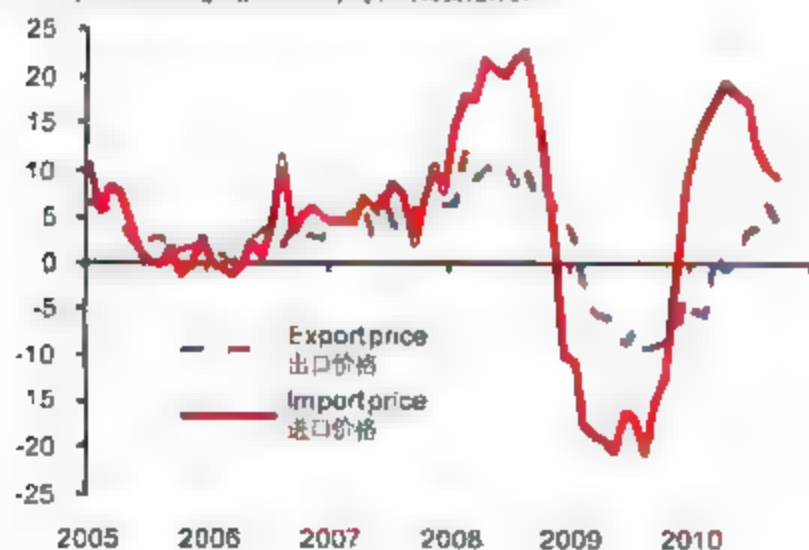
自4月出台旨在遏制房价上涨的房产新政以来,房地产价格几乎没有下降。国家统计局统计的70城市房地产价格指数是制订政策的部门最为关注的指标。根据这个指数,6–8月,由于住房销售疲软,房地产价格的上涨受到了抑制。但9月份销售回升,房价比八月又上涨了0.5%。为此,政府9月又出台了新的措施,如将购买第一套住房的首付比例提高至30%等。

尽管人民币对美元有所升值,但外汇储备的增长又在加快。自今年6月中旬中国结束“盯住美元”的汇率机制至11月初,人民币对美元升值2.3%。由于美元对其他很多货币贬值较多,按名义有效汇率计算人民币最近是贬值的,但相对2008年中期人民币临时盯住美元时的名义有效汇率是升值的。

Figure 7. The terms of trade loss is fading out

图7. 贸易条件恶化影响正在消失

USD price change (percent/yoy) 同比变化1%.



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

Figure 8. The trade surplus is on the rise again

图8. 对外贸易顺差重新开始增长



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。
*Our estimates of seasonally adjusted (SA) trade flows uses SA volumes and non-SA prices.
*我们的贸易流量数据使用的是季调后的贸易量和非季调的价格指数。

(Figure 11). The foreign exchange purchases required to keep the RMB from appreciating more against the U.S. dollar has gained speed again in the third quarter. Even after accounting for about \$80 billion in valuation effects, the net inflow was \$114 billion in the third quarter, due to a substantial trade surplus, more net FDI, and some net financial capital flows.

Economic prospects

The global economy is starting to slow again, particularly in high income countries (HICs). This is because of an end to the inventory adjustment, implementation of exit strategies for stimulus policies, and sovereign stress in peripheral Eurozone countries and its potential impact on global financial markets. Prospects for growth in the United States and Japan in 2010-11 are being revised downward, which is also leading to further easing of monetary policy there, including possible additional quantitative easing in the United States. Global trade and industrial production are slowing down after the earlier bounce back (Table 1).

However, overall global growth prospects are supported by emerging market strength. In the United States and Europe, the apparent slowdown notwithstanding, mainstream forecasters do not expect a double dip, although the Japanese economy may struggle. Moreover, most emerging markets and developing countries should see continued robust growth. Their growth prospects are of course linked to those in HICs via trade and capital flows, and financial sector risks originating in HICs have global ramifications. However, domestic demand prospects are robust in most large emerging markets, while relatively sound macroeconomic fundamentals buoy the sustainability of their growth. In all, overall global growth prospects for 2010 have been upgraded since January 2010, although those for 2011 have been nudged down (Table 1).

Nonetheless, the global growth outlook remains subject to large risks, both ways. In HICs, households may remain reluctant to consume as they adjust to balance sheet losses and amidst high unemployment and uncertainty. There could also be feedback effects between high public debt burdens, unfavorable growth dynamics, increased rollover risk, and linkages to the banking system. A few factors mitigate downside risks: Private investment may not fall much more, given that it is already low, as a share of GDP, and amidst robust corporate profits; a renewed rundown of stocks is unlikely because inventories appear to be close to desired levels; and overall financial conditions have stabilized in OECD countries, making banks somewhat less reluctant to lend.

The global imbalances and the tensions they create cast a shadow over the global outlook. The combination of large current account surpluses in some countries, including China, and large current account deficits in other countries, notably the United States, poses financial and economic risks, in-

(图11)。三季度为避免人民币对美元更快升值而购买的外汇量再次提速。由于大量贸易顺差、净FDI提高以及金融资本净流入,即使将约800亿美元的资产价格调整因素考虑在内,三季度的资金净流入依然达到1140亿美元。

经济前景

全球经济增长又开始放缓,在高收入国家尤为明显。这有几方面因素:一是由于存货调整即将结束,其次,各国的经济刺激政策逐渐退出,第三,欧元区边缘国家的主权债务危机及其可能对全球金融市场产生的影响也将结束。美国和日本2010-2011年的增长前景最近被调低,这可能引起这两个国家进一步放松其货币政策,包括美国可能推出额外的量化宽松政策。全球贸易和工业生产在前段时间出现回升之后,现在增速也在放缓(表1)。

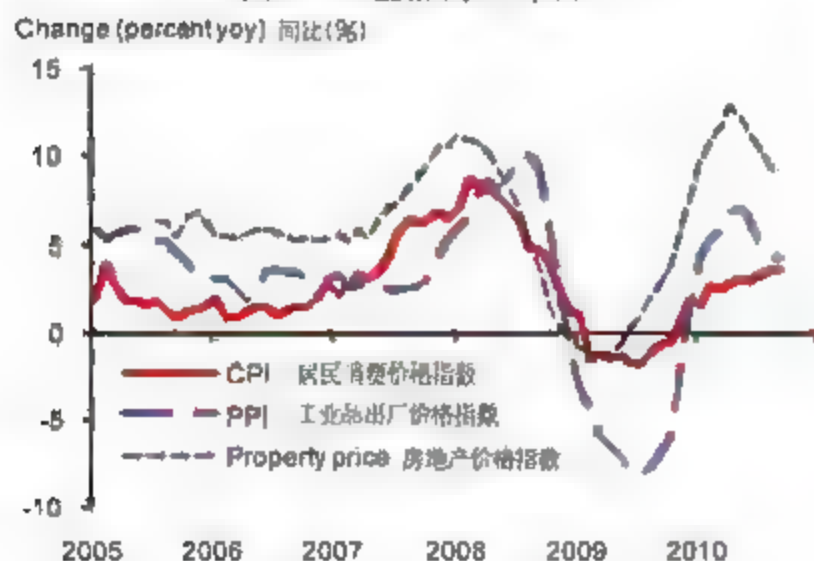
不过,全球总体增长前景主要由新兴市场的活力支撑。即使在美国和欧洲,尽管经济增长明显放缓,但主流的预测基本都认为不会出现二次探底。不过日本经济可能会困难重重。大多数新兴市场国家和发展中国家都会保持有力增长。它们的增长前景与高收入国家的经济前景通过贸易和资本流动联系在一起,同时源自高收入国家的金融部分风险也会给世界各国带来影响。然而,大多数新兴市场大国的内需前景都比较好,相对健康的宏观经济基本面使其增长较具可持续性。综合各方面因素,对2010年全球增长前景的预测比今年1月份时调高,不过对2011年的预测有所调低(表1)。

总的来说,全球增长前景依然存在很大的双向风险。在高收入国家,居民家庭需要面对金融危机所带来的资产负债表损失,同时面临高失业率及经济的不确定性,因此消费意愿会持续受到影响。政府债务负担、增长前景不佳、展期风险增大以及与银行体系间的各种传导链条间可能出现相互反馈放大的效应。有几个因素有助于缓解下行风险,私人投资占GDP的比例已经很低,而且公司利润状况很好,因此私人投资不太可能再大幅下降;其次,因为库存似乎已接近合理水平,不太可能出现新一轮的减库存;此外,OECD国家的总体金融状况已经稳定,这使得银行系统惜贷的现象有所减缓。

全球失衡及其造成的紧张给全球经济前景投下了阴影。包括中国在内的一些国家有巨大的经常账户盈余,而以美国为代表的另外一些国家有巨大的经常账户赤字。这种失衡带

Figure 9. CPI inflation rises as PPI inflation declines

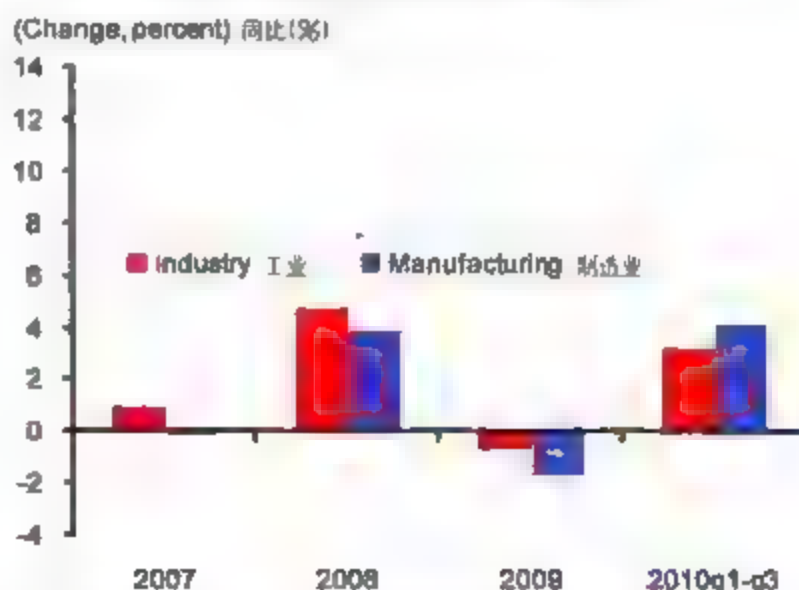
图9. CPI上涨而PPI下降



Source: CBIC, World Bank staff estimates. 数据来源: CBIC数据库, 世界银行工作人员估计。

Figure 10. Will unit labor cost remain contained?

图10. 单位劳动成本仍将可控吗?



Source: CBIC, World Bank staff estimates. 数据来源: CBIC数据库, 世界银行工作人员估计。

cluding from possible tension and contentious policy responses to them.

Internationally, underlying price pressures seem to remain moderate, but there are risks. Price pressure remains contained by slack in labor and product markets in HICs and parts of the developing world. In this setting, the prospects for raw commodity prices on international markets including oil and food are considered to remain subdued (Table 1). Discussions on possible renewed easing of monetary policy in HICs, notably the United States, have led to concerns about

来金融和经济风险, 比如, 它可能造成国家之间经济关系的紧张, 各国可能作出引起争议的政策反应等。

国际上来看, 潜在通胀压力看来仍较温和, 但存在风险。由于高收入国家和部分发展中国家的劳动力市场和产品市场疲软, 价格上升的压力仍被抑制。在这种情况下, 包括石油和粮食在内的国际市场原材料价格将继续受到抑制(表1), 最

Box 1. Have Wage Increases Driven up Costs In Manufacturing?

Concerns were raised earlier this year that high wage increases would drive up costs in China's manufacturing sector. Weaknesses and gaps in the data call for caution. Nevertheless, sizeable wage increases in manufacturing over the last 10-15 years seem to have been offset by rapid productivity growth, also in recent years. As a result, unit labor costs fell between the mid-1990s and the mid-2000s and remained broadly unchanged since.

In a booming economy, manufacturing wages have grown strongly in the last decade. Amidst robust urban labor demand, average wages have risen rapidly since 2000, and in recent years wages at the lower end have also started to accelerate. Nominal wage growth picked up further in 2007, when the economy was booming and inflation rising (Box figure 1). However, it slowed substantially in 2009 due to the impact of the global crisis. Quarterly data clearly show the recent deceleration and rebound (Box figure 2). Wages in the services sector decelerated less during the downturn and, conversely, have not seen the rapid acceleration seen in industry since end 2009.

Despite several problems, the wage data provide useful information. The most widely used wage data—used in Box Figures 1 and 2—only cover the urban economy and does not cover most private enterprises. This is in principle a major problem, since it may not be representative for the whole economy. However, surprisingly, this weakness appears not to distort the picture excessively. Separate, independent data from the household survey suggest lower average wage growth than the mainstream data (Box figure 1).⁽¹⁾ However, the household survey data show a similar dynamic and the pace of wage growth is broadly similar to that in manufacturing in the mainstream data. This strengthens the case for using the mainstream data even as caution remains required.

Labor productivity in industry has also risen sharply in the last 15 years. Value added in industry grew at around 9-10 percent in 1997-2001. It then accelerated, boosted by WTO accession and a strong world economy. Moreover, labor productivity was boosted by

专题框1. 工资上涨是否推高了制造业成本?

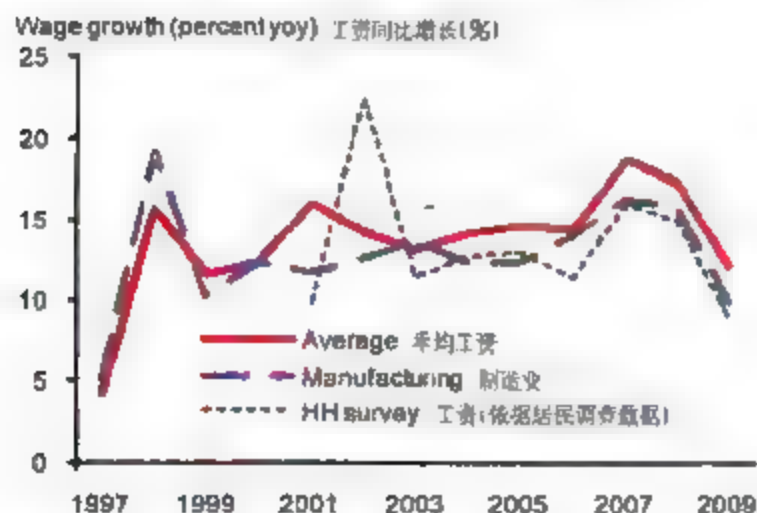
今年早些时候, 有些人提出了对工资上涨可能推高中国制造业成本的担心。因为有关数据质量并不高, 还存在一些缺失值, 作出这一判断需要非常谨慎。无论如何, 过去10-15年里制造业的几次较大幅度的工资上涨对成本的影响都被生产率的快速增长所抵消。近几年的情况也是如此。这样, 单位劳动力成本在90年代中期到2004年左右这段时间是呈下降趋势, 而此后几年则基本上没有什么变化。

过去10年里, 由于经济繁荣, 制造业的工资也有力增长。由于城市对劳动力的需求强劲, 自2000年以来平均工资迅速增长, 而有关数据显示近年来低端工资的增长也开始加快。2007年, 在经济高速增长、通货膨胀迅速上升(专题框图1)的情况下, 名义工资的增长进一步提速。但2009年由于受全球危机的影响, 工资上涨速度大为放慢。从季度数据可以更清晰的显示近年工资增长放缓及随后反弹这一特征(专题框图2)。经济下滑期间服务业工资增长减缓程度较小, 但是自2009年底以来工业部门的工资增长加快, 而服务业则没有出现这种情况。

工资数据尽管存在诸多问题, 但仍能提供很多有用的信息。最常用的数据——也就是图1和图2所用的数据——只涵盖城镇经济, 而且大多数民营企业都没包括在内。原则上来说这是一个很大的问题, 因为数据所覆盖的经济部门的工资情况可能并不代表整个经济。然而令人惊讶的是, 这个弱点看来并没有过分扭曲整体的工资情况。独立的居民调查数据显示的工资平均增长速度低于主流数据(专题框图1), 但居民调查数据所显示的工资变化趋势和增长速度与主流数据中的制造业工资情况大体一致。这样, 虽然在使用主流数据时仍需非常谨慎, 但它们还是可以提供一些有用的信息。

工业的劳动生产率在过去15年中大幅提高。1997-2001年间工业增加值每年以9%-10%的速度增长。此后, 由于中国加入世

Box figure 1. Wages have grown rapidly
框图1. 工资增长迅速



Box figure 2. Zooming in on recent
框图2. 近年工资变化



global inflation pressures. However, the possible monetary easing would be in response to economic weakness. Combined, the associated changes to the outlook do then not obviously imply higher global inflation, although the easing could complicate the financial outlook, including by boosting global liquidity. However, substantial recent increases in many food and industrial commodity prices show how changes in market conditions can affect such prices quickly. More generally, inflationary pressures have resurfaced in several large emerging markets, which

近有关高收入国家,尤其是美国的货币政策立场可能再次宽松的讨论,已使得市场开始广泛关注全球通胀的压力。然而,这种可能的宽松货币政策应当是对经济疲软的反应。结合两者来看,相关的未来形势的变化就不会明显带来更高的全球性通胀,然而,宽松的货币政策确实会进一步增加全球流动性,而使金融部门形势更复杂。近期很多食品和工业原材料产品价格

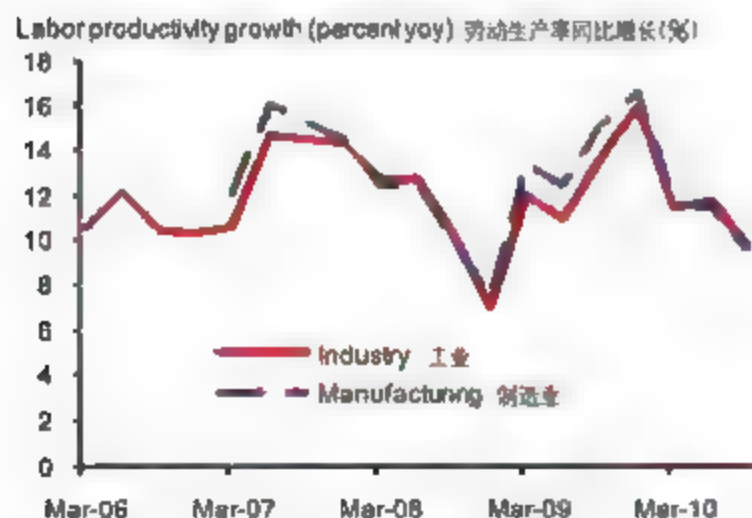
labor shedding in SOEs. Between 1997 and 2004 (when major job shedding had come to an end), some 43 million SOE jobs, or 40 percent, were shed. According to our estimates, labor productivity growth in industry eased from 15-20 percent in 1997-2003 to still very robust 10-12 percent in post SOE job shedding 2005-2009 (Box figure 3)

In all, unit labor costs (ULC) in industry seems to have bottomed out in recent years, after a steady decline since the mid-1990s. ULC measures the wage costs per unit of production. Putting together wage and productivity growth, ULC industry first declined, then bottomed out around 2004, and have since edged up slightly. There are several potential caveats concerning this data. However, a ULC estimate from different data source—the input output tables—gives a broadly similar picture for manufacturing, at least from 1999 onwards (Box figure 4).¹² The estimates are also consistent with a finding—on more detailed data—from van Ark, Erumban, Chen, and Kumar (2009)—that ULC in manufacturing fell on average 38 percent between 1995 and 2004.¹³ They found that within manufacturing ULC fell particularly rapidly in the machinery, transport and equipment, and electronics sectors, which saw particularly rapid labor productivity growth, and ULC fell less in textile and clothing, where labor productivity had risen less fast.

The suggested broad absence of cost pressures from wage costs in the last five years after a decline earlier on is broadly consistent with data on profit margins in industry. The data, from the industrial survey, suggest that profit margins in industry trended up until 2004 and have remained at that relatively high level since then (Box figure 4).

Internationally, ULC in manufacturing in several other countries nowadays also tends to be contained. For long, since World War II, ULC in manufacturing trended upward in major industrialized countries. However, in recent decades that has not held anymore, because of lower inflation and, presumably, globalization. The OECD estimates that in 2000-09, ULC in manufacturing has declined by 2 percent in the United States and a full 25 percent in Japan, although it rose by 12 percent in the EU and 26 percent in Mexico.

Box figure 3. Strong labor productivity growth
框图3. 劳动生产率增长强劲



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

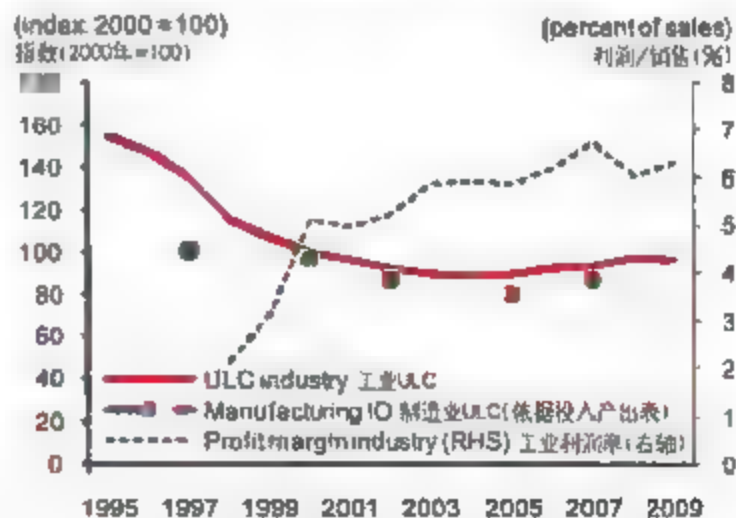
贸组织和强劲的全球经济,增长速度进一步提高。另一方面,国有企业精简人员也推动了劳动生产率的提高:1997-2004年(国企裁员行动在2004年基本结束)共裁减了4300万国企职工,为国企职工总数的40%。根据我们的估算,1997-2003年工业劳动生产率以平均每年15%-20%的速度提高,国企裁员结束后增速有所放缓,但2005-2009年仍以每年10%-12%的速度有力增长(专题框图3)。

总的说来,工业的单位劳动力成本(ULC)自90年代中期以来的持续下降之后,近年已经触底。单位劳动力成本被用来衡量单位真实产值的工资成本。将工资和生产率的增长综合起来看,单位劳动力成本先是下降,到2004年左右触底,随后略微有所回升。虽然数据可能存在若干潜在问题,但根据另外一项数据——投入产出表——所作的ULC估算也反映了类似的趋势——至少自1999年以来是如此(专题框图4)。这些估算与van Ark, Erumban, Chen and Kumar (2009)利用更详细数据所得的结果一致:他们的测算显示,1995-2004年制造业的单位劳动力成本平均下降38%¹。同时他们还发现,在制造业的各行业中,ULC下降最快的是机械、交通和仪器设备及电子产品行业,这些行业的劳动生产率提高最为迅速,而纺织和服装行业的ULC下降幅度则较小,因为这些行业的劳动生产率提高速度相对较慢。

这些分析显示,工资成本经过了90年代中期以来长达10年的下降之后,最近5年的小幅回升并没有对生产成本造成压力,这与工业利润率的数据是一致的。工业调查的数据显示,工业利润率在2004年以前呈明显上升趋势,自2004年之后则维持在这一高位水平(专题框图4)。

国际上来看,其他一些国家的制造业单位劳动力成本的上升也受到抑制。二战结束后很长一段时间工业化国家的制造业单位劳动力成本呈上升趋势,但近几十年这种趋势已经不再持续。这一方面是由于通胀水平较低,另外也是由于全球化的发展。据经合组织(OECD)估算,2000-2009年美国的制造业单位劳动力成本下降了2%,日本下降了25%,不过在欧元区上升了12%,在墨西哥上升了26%。

Box figure 4. ULC has been contained
框图4. 单位劳动力成本仍维持低位



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

Table 1. The global environment
(percent change, unless otherwise indicated)

	2008	2009	2010	2011
			Jan Oct	Jan Oct
World GDP growth 1/	1.6	-2.3	3.0 3.6	3.2 3.0
High income countries	0.3	-3.6	2.0 2.2	2.2 1.8
Developing countries	4.1	-0.1	4.8 6.0	5.2 5.3
World imports 2/	3	-11.2	11.5	6.8
World prices (US\$) 2/				
Oil (\$/bbl)	97.0	61.8	78.2	78.8
Non oil commodities	0.0	-21.8	18.8	-2.1
Manufactured export products	5.9	-4.9	3.1	1.4
\$ Labor interest rate (8 m percent per year)	3.2	1.1	0.6	0.8

Sources: World Bank, Consensus Economics, and World Bank staff estimates.

1. Consensus Economics (Oct 2010), weighted using 2007 weights.

2. International Monetary Fund (WEO October 2010).

表1. 全球经济环境
(除特别指明 表中数据为百分比变化率)

	2008	2009	2010	2011
			1月 10月	1月 10月
世界GDP增长 1/	1.6	-2.3	3.0 3.6	3.2 3.0
高收入国家	0.3	-3.6	2.0 2.2	2.2 1.8
发展中国家	4.1	-0.1	4.8 6.0	5.2 5.3
世界进口 2/	3	-11.2	11.5	6.8
世界价格(美元计价) 2/				
石油(美元/桶)	97	61.8	78.2	78.8
非石油原材料商品	0.0	-21.8	18.8	-2.1
制成出口品	5.9	-4.9	3.1	1.4
美元LIBOR (6月期 年率)	3.0	1.1	0.6	0.8

资料来源: 世界银行; 共识预测公司; 以及世界银行工作人员估计。

1. 共识预测公司(2010年10月), 用2007年权重加权。

2. 国际货币基金组织《世界经济展望》(2010年10月)。

are much further advanced in the recovery than the HICs.

In China, growth may ease in the short term, notwithstanding the surprisingly robust third quarter. The expected slowdown in global growth and imports is likely to affect China's exports. Some additional impact stems from the normalization of the macro policy stance, the eventual impact of the measures introduced to contain property price rises, and some administrative measures to meet energy efficiency targets. Nonetheless, we revise up our GDP growth forecast for 2010 as a whole to 10 percent after the stronger than expected third quarter outcome (Table 2).

Growth is likely to moderate somewhat more in 2011 and the medium term to a still robust pace. The expansion should continue to be supported by the traditional growth drivers and robust macroeconomic fundamentals. In early 2011, activity may also receive a fillip from the end of some temporary administrative measures to meet energy efficiency targets. New public investment programs are also likely to be started next year to accelerate urbanization in inland regions and promote strategic new sectors. However, these are unlikely to fully offset the impact of the end of the 4-trillion-yuan stimulus package. In all, with export growth lower but consumption benefiting from a robust labor market and private sector investment assumed to hold up, we project GDP growth to moderate to 8.7 percent next year. In the medium term growth should remain robust, although trend (potential) growth is likely to diminish. See our June 2010 Quarterly Update for a discussion of China's medium term outlook.

Inflation is unlikely to escalate but it will be difficult to contain housing prices for long. Inflation may remain above the 3 percent target for a while, although the food price increases should eventually decelerate (the domestic supply side factors driving them up are considered largely temporary). Looking further ahead, the inflation outlook benefits from the subdued projections for international prices for oil, industrial commodities and food, recent increases notwithstanding, although China's domestic staple grain prices are not influenced much by international prices. Despite the large wage increases in part of the manufacturing industry earlier this year, core inflation is unlikely to escalate, because China's labor market is flexible and the manufacturing sector appears able to absorb substantial wage increases (Box 1).¹¹ However, given the fundamental drivers of property prices—rapid urbanization, sizeable income growth, and low interest rates—they are unlikely to remain flat for long.

The external surplus is on course to rise again. Taking into account the recent trends in trade volumes, normal seasonal patterns in export and import volumes, and the turnaround in the international terms of trade, the whole-year trade surplus may be broadly unchanged from 2009, because of the low reading in the first half.¹² However, on current policies and trends, the trade surplus is likely to continue to rise in 2011 and the medium term, in \$ terms (Figure 12). The current account surplus should rise faster than the trade surplus because the net income on China's rapidly growing net foreign asset position is likely to grow significantly in the coming years. The upward revision in our current account surplus forecast compared to our June forecast is largely because of stronger than expected export volumes

的大幅上扬就表明市场条件的变化可以很快对这些价格产生影响。全球来看, 目前若干新兴市场大国的经济复苏远远领先于高收入国家, 通货膨胀压力已经在这些国家重新出现。

在中国, 尽管三季度仍保持了超预期的较高增速, 但近期来看增长速度可能会放缓。预计全球增长的减缓和全球进口的回落会影响中国的出口。此外, 宏观调控政策的正常化、遏制房地产价格上涨的一系列措施以及为实现能效指标而采取的行政手段等, 都可能促使增长速度的回落。不过, 由于一季度的增幅高于预期, 我们把对2010年全年GDP增长的预测调高至10%(表2)。

2011年经济增长速度似将有所回落, 中期来看仍将保持有力增长。传统的增长动力和稳健的宏观基本面将继续推动增长。2011年初, 为实现能效指标而采取的暂时性行政措施结束, 可能刺激经济活动更加活跃。明年还可能启动新的政府投资项目以加速内陆地区的城市化进程, 推动新的战略产业的发展。不过, 这些因素不太可能完全抵消4万亿刺激方案的结束所带来的影响。综合来看, 出口增速将有所下降, 但消费将因受益于强劲的劳动力市场和活跃的私人投资而保持稳定。基于这些因素, 我们预计明年GDP增幅将略微降至8.7%。中期仍将保持有力增长, 尽管趋势(潜在)增速可能下降。对中国中期前景的讨论详见我们2010年6月的季报。

通胀加剧的可能性不大, 但要长期遏制房价上涨会比较困难。尽管食品价格上涨速度最终会回落(驱动国内食品价格上涨的供给面因素大部分是短期的) 但今后一段时间通货膨胀率可能会持续高于3%的控制目标。更长远地来看, 国际市场上石油、工业原材料及食品价格尽管最近出现上涨, 但人们对未来价格走势的预测是涨幅有限甚至会上滑, 这有利于中国控制其通胀水平。不过, 中国国内主要粮食价格受国际市场价格的影响不大。尽管今年早些时候制造业工资大幅增加, 但核心通胀不太可能加剧, 因为中国的劳动力市场十分灵活, 制造业部门看来能够消化较大的工资成本上涨(专题框1)¹¹。不过, 在房地产方面, 考虑到导致房地产价格上涨的根本因素——快速的城市化、收入的大幅增长以及低利率, 房地产价格不可能在长时期内保持不变。

外部盈余再次呈上升之势。综合考虑最近进出口贸易的走势、进出口额的季节因素以及贸易条件的变化, 今年全年的贸易顺差可能与2009年大体持平——因为上半年的顺差较低。然而, 按现在的政策和趋势发展下去, 按美元计算, 2011年以及此后更长一段时间贸易顺差将继续上升(图12)。经常账户盈余的增长将快于贸易顺差, 这是因为中国迅速增加的净外汇资产带来的净收益在今后几年可能迅速增加。我

Table 2. Main economic indicators

(percent change, unless otherwise indicated)

	2007	2008	2009	2010f	2011f	2012f
The real economy						
Real GDP	14.2	9.6	9.1	10.0	8.7	8.4
Domestic demand 1/	12.3	9.8	13.8	8.1	8.7	8.4
Consumption 1/	10.8	8.5	8.5	7.6	8.7	8.3
Gross capital formation 1/	14.2	11.0	19.8	8.7	8.6	8.3
Contribution to GDP growth (pp)						
Domestic demand 1/	11.7	8.8	12.8	7.8	8.4	8.1
Net exports 1/	2.5	0.8	-3.7	2.2	0.4	0.2
Contribution net exports (WB, pp) 2/						
Exports	3.4	1.8	-4.8	2.2	0.4	0.2
(goods and services) 2/						
Imports	20.0	8.6	10.4	24.3	9.3	8.4
(goods and services) 2/						
Potential GDP growth	10.6	10.5	11.0	9.8	9.2	8.9
Output gap (pp)	4.3	3.4	1.5	1.6	1.1	0.6
CPI increases						
(period average) (%)	4.8	5.9	-0.7	3.0	3.3	3.3
GDP deflator	7.6	7.8	-0.9	4.7	3.0	3.0
External terms of trade	-0.9	-4.3	8.6	-6.8	-0.1	1.1
Fiscal accounts (percent of GDP)						
Budget balance 3/	0.6	-0.4	-2.8	-1.8	-1.6	-1.6
Revenues	19.3	19.5	20.3	20.3	20.5	20.7
Expenditures	18.7	19.9	23.0	22.1	22.1	22.3
External account (US\$ billions)						
Trade balance (US\$ bln)	315	361	250	247	273	314
Current account balance (US\$ bln)	372	426	297	320	356	442
Current account balance (% GDP)	10.6	9.4	6.0	5.5	5.3	5.7
Foreign exchange reserves (US\$ bln)	1529	1946	2400	2765	3143	3598
Other						
Broad money growth (M2), e-o-p (%)	16.7	17.8	27.0

Source: NBS, PRC, Ministry of Finance, and World Bank staff estimates.

1/ WB estimations using contribution to growth data (Table 2.30 in NBS Statistical Yearbook).

2/ WB staff estimates based on trade data for goods from the Customs Administration, adjusted for estimated differences in price development for services trade.

3/ For 2009 and 2010 this is in line with the government data presented to the NPC.

表2. 中国主要经济指标

(除特别说明 为百分比变化率)

	2007	2008	2009	2010f	2011f	2012f
实体经济						
真实GDP	14.2	9.6	9.1	10.0	8.7	8.4
国内需求1/	12.3	9.8	13.8	8.1	8.7	8.4
消费1/	10.8	8.5	8.5	7.6	8.7	8.3
资本形成1/	14.2	11.0	19.8	8.7	8.6	8.3
对GDP增长的贡献(百分点)						
国内需求1/	11.7	8.8	12.8	7.8	8.4	8.1
净出口1/	2.5	0.8	-3.7	2.2	0.4	0.2
净出口贡献						
[世界银行估计 百分点]2/	3.4	1.8	-4.8	2.2	0.4	0.2
出口(货物与服务)2/	20.0	8.6	-10.4	24.3	9.3	8.4
进口(货物与服务)2/	14.2	5.1	4.3	19.0	9.1	8.7
潜在GDP增长	10.6	10.5	11.0	9.8	9.2	8.9
产品缺口(百分点)	4.3	3.4	1.5	1.6	1.1	0.6
CPI增长(期内平均)(%)	4.8	5.9	-0.7	3.0	3.3	3.3
GDP缩减指数	7.6	7.8	-0.9	4.7	3.0	3.0
贸易条件	-0.9	-4.3	8.6	-6.8	-0.1	1.1
财政账户(GDP占比, %)						
预算盈余3/	0.6	-0.4	-2.8	-1.8	-1.6	-1.6
收入	19.3	19.5	20.3	20.3	20.5	20.7
支出	18.7	19.9	23.0	22.1	22.1	22.3
对外账户(10亿美元)						
贸易顺差(国际收支平衡表)	315	361	250	247	273	314
经常账户余额	372	426	297	320	356	442
经常账户余额(%GDP)	10.6	9.4	6.0	5.5	5.3	5.7
外汇储备(10亿美元)	1529	1946	2400	2765	3143	3598
其他						
广义货币增长 (M2 期末同比%)	16.7	17.8	27.0

数据来源: 国家统计局, 人民银行, 财政部, 世界银行工作人员估计。

1/ 世界银行根据官方公布的GDP数据估计(见《国际统计年鉴》表2.30)。

2/ 对货物与服务贸易顺差和经常账户余额的估计进行了调整。

3/ 2009年与2010年的数据来自十二届全国人民代表大会的报告。

and weaker than expected import volumes.

There are of course risks to this outlook. In current circumstances, with the world economy at an inflection point, there are in principle many sources of risk. On growth, the global risks discussed above, including those with respect to global imbalances and possible policy responses, are probably the key ones for China. In this connection, a lack of success in rebalancing China's growth pattern would be among the more serious medium-term risks, for China and the world economy. Upside risks with respect to inflation could arise from further shocks affecting raw commodity prices or from sustained high wage increases driving up core inflation.

Economic policies

China's favorable growth outlook warrants further normalization of the macroeconomic stance. After the large stimulus, the key macroeconomic concerns remain asset price increases, strained local government finances, and non-performing loans. While the inflation outlook does not seem worrisome, the upward risks call for vigilance and managing inflation expectations. Notwithstanding the slack and unemployment in many HICs, China's economy is operating close to full capacity and the growth outlook is favorable. Thus, further consolidation of the overall macroeconomic stance is needed to contain

们对经常账户盈余的预测比6月份有所调高,主要是由于出口表现高于预期,而进口低于预期。

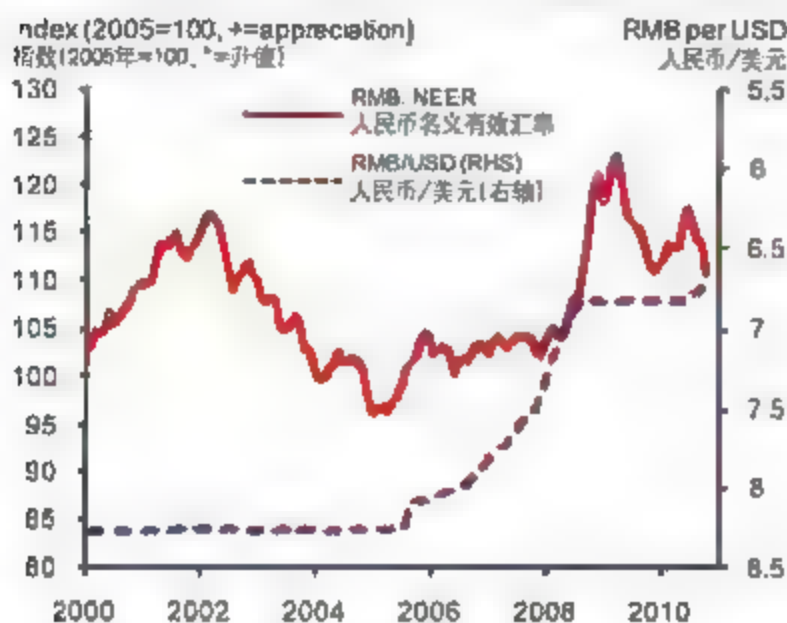
这些预测当然也存在着风险。当前世界经济正处在一个拐点,自然存在各种风险。在增长方面,上文已经谈到全球性的一些风险,如全球失衡以及有关国家作出的政策反应可能带来的风险对中国来说大概是最需要关注的。与此相关的是,如果中国不能成功改变其增长模式,将成为中国经济乃至世界经济面临的最严重的中期风险之一。此外,也不能完全排除通胀的上行风险,比如可能出现进一步的冲击导致原材料价格提高,或是会导致核心通胀上行的工资持续大幅上涨,这都可能加大通胀风险。

经济政策

中国良好的经济增长前景要求使宏观政策正常化。实施了大规模刺激政策之后,对宏观经济最主要的担忧是资产价格上升、地方财政紧张以及银行不良贷款增加。尽管通胀前景看来并不特别值得担心,但对通胀的上行风险还是需要警惕,并管理好通胀预期。虽然许多高收入国家的经济增长仍较疲软,失业率很高,但中国经济已在接近全产能的水平运

Figure 11. Some appreciation against the US dollar, although not in effective terms

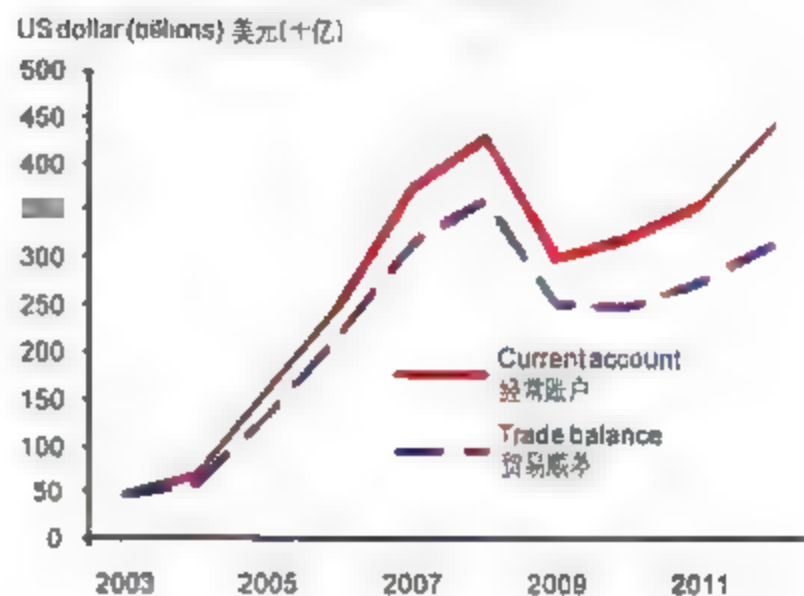
图11 人民币兑美元升值，但名义有效汇率贬值



Source: CEIC, Bank for International Settlements, World Bank staff estimates
数据来源: CEIC数据库, BIS, 世界银行工作人员估计。

Figure 12. The external surplus is likely to rise again

图12. 外部盈余可能再次上升



Source: CEIC, World Bank staff estimates 数据来源: CEIC数据库, 世界银行工作人员估计。

these risks

Two-way risks to growth make it important to be able to respond flexibly to changes in circumstances. This can be done by ensuring flexibility in the design and implementation of policymaking. Over time, changes to the monetary and exchange rate regime to increase the leeway to use monetary policy to pursue domestic objectives, would help to deal with the divergence in the cyclical position vis a vis the United States and financial capital inflows amidst ample international liquidity.

The preparations for the 12th Five-Year Plan (2011-15) call for focus on structural issues and reforms. After the Fifth Session of the 17th Communist Party of China Central Committee (CPCCC) in mid-October, the CPCCC issued its proposal on formulating the 12th Five-Year Plan. This sets out the broad direction for policy making in the coming years. The major targets proposed include stable and relatively fast economic growth, major economic restructuring, raising people's income relatively fast, and deepening reform and opening up. The principles, targets, and tasks and strategic priorities are broadly in line with the overall challenges and objectives we discussed in our March 2010 China Quarterly (pp19-22) (Box 2)

The Plan itself should have more specifics on the planned policy reforms and associated quantitative targets. In the June 2010 Quarterly we looked at the key role of the public finances and the crucial need for reform of the intergovernmental fiscal system, and fiscal reforms are likely to be introduced. Below we discuss two important policy areas in more detail: private sector development and energy

Key among the objectives is changing the growth pattern. This adjustment—toward more services and consumption, away from the emphasis on industry and investment—is in order to address China's social, environmental and external imbalances. It was already a key objective of the 11th Five-Year Plan. Progress has been made in several specific areas. However, there has been limited progress with the overall rebalancing. On the expenditure side, consumption has so far substantially lagged investment (Figure 13). On the production side, the tertiary sector has broadly kept pace with the secondary (largely industrial) sector but not grown faster, in real terms (Figure 14).

The need to transform the economic growth pattern may be stronger now than five years ago. This is in part because the external dimension has become more pronounced. Prospects for exports are less good now. Moreover, China's economy, its role in the world economy, and its external surplus are now substantially larger than five years ago. On current trends and policies, the current account surplus is rising again. Some have suggested that "endogenous" rebalancing may occur. Surplus labor is drying up and, thus, wage increases will be substantially higher in the years ahead, automatically driving up the share of

行, 增长前景也较好。在这种情况下, 需要进一步收紧宏观政策以控制这些风险。

经济增长面临的双向风险要求能适时根据情况灵活作出反应。可在政策设计和实施中加强灵活性。逐渐改变货币和汇率制度, 从而为使用货币政策实现国内经济目标创造空间, 这将有助于解决国内经济周期与美国不同以及国际流动性充足情况下金融资本涌入所带来的问题。

制定第十二个五年规划(2011-2015年)要重点关注结构性问题和改革。10月中旬举行的中国共产党第十七届五中全会发表了对制定“十二五”规划的建议, 其目标是今后几年的决策确定基本方向。建议中所提出的主要目标包括: 保持经济平稳较快发展, 进行结构性调整, 较快提高人民收入, 深化改革和对外开放。这些原则、目标、任务和战略重点与我们在2010年3月的季报(第18-20页)所讨论的挑战和目标基本一致(专题框2)。

“十二五”规划本身将更具体地阐述计划进行的政策改革及相关量化指标。在2010年6月的季报中我们讨论了公共财政的关键作用以及亟需对政府间财政关系作出改革, 而“十二五”期间很可能推进财政改革。下文中我们将具体讨论另外两个政策领域: 民营部门发展和能源问题。

各个目标中最为关键的是改变经济增长方式。使增长更多来自服务业和消费, 而不是工业和投资——这种调整对解决中国社会、环境和对外经济关系的各种失衡十分重要。这在“十一五”规划中已经是一个重要目标, 在若干领域也取得了进展, 但就实现总体平衡发展来说进展有限。从支出来看, 消费远远落后于投资(图13)。从生产来看, 第三产业的实际增长基本与第二产业(主要是工业)持平, 而未能以高于第二产业的速度增长(图14)。

现在改变经济增长方式比五年前更为迫切。这在一定程度上是由于对外经济方面的问题更加突出。现在的出口前景已经不如从前。而且, 中国经济规模、中国在世界经济中的地位以及外部盈余都大大高于五年前的水平。按当前的趋势和政策来看, 经常账户盈余又开始上升。有些人提出可能出现“内生式”再平衡, 中国的富余劳动力渐趋枯竭, 今后几年工资将大幅提高, 因此工资和居民收入在经济中的份额会上升, 消费提高, 外部盈余收窄。但我们看来, 富余

Box 2. The Key Challenges and Objectives During the 12th Five-Year Plan^{1/}

Two overall challenges:

- Achieving sustained rapid growth and development, and
- Improving the quality of growth, making growth more people oriented, improving the quality of life; reducing environmental degradation; containing energy demand; and reducing the external imbalance

Five main objectives:

- Changing the economic growth pattern; more focus on services and consumption and less on industry and investment;
- Boosting efficiency, notably by innovation and upgrading and increasing the role of the private sector;
- Pursuing sustainable spatial transformation, by successful urbanization and regional development;
- Changing the role of the state in the economy, with less direct control when markets function well and more involvement in areas such as health and education where markets often do not function well; and
- Taking account of China's changing interaction with the rest of the world.

1/ For a discussion, see our March 2010 Quarterly Update (pp. 19-22)

专题框2. “十二五”期间的关键挑战和政策目标^{1/}

两大挑战:

- 实现持续快速增长和发展;
- 改善增长质量, 使增长更加以人为本, 减少不平等和贫困, 改善生活质量; 减少环境退化; 控制能源需求; 减少外部不平衡。

五个主要目标:

- 转变经济增长方式, 更注重以服务业和消费来拉动增长, 减少对工业和投资的依赖;
- 提高效率, 尤其要通过创新、产业升级及加强民营部门在国家经济中的作用来促进效率的提高;
- 通过成功的城市化和区域发展实现具有可持续性的经济活动的空间转变;
- 改变政府在经济中的职能, 在市场机制可以良好发挥作用的领域减少政府的直接控制, 而在市场往往不能良好运作的医疗和教育等领域加强政府的作用;
- 充分考虑中国与世界其他国家的互动。

1/ 详细内容见我们2010年3月的季报。

wages and household income and thus raising the share of consumption and reducing the external surplus. However, in our view, the drying up of surplus labor is a slow process with still a long way to go. In any case, there are still various distortions in China's policy setting that need to be addressed, including in the prices of capital, labor and resources, as well as access to markets and finance. Removing the distortions is a key part of the required policy adjustment. Thus, in our view rebalancing to more domestic demand led, service sector oriented growth is unlikely without significant policy adjustment and it is appropriate to have it as a major objective of the 12th Five-Year Plan

Fiscal and monetary policy

China's headline fiscal position remains sound, which helps to provide policy space. Despite the massive fiscal expansion, the headline fiscal deficit reached only 2.8 percent of GDP in 2009, as much of the expansion was financed by bank lending. In the first three quarters of this year, headline expenditure rose 20.6 percent, with fairly even growth of spending across different categories. Revenues increased 22.4 percent in this period, with indirect taxes rising faster than direct taxes.

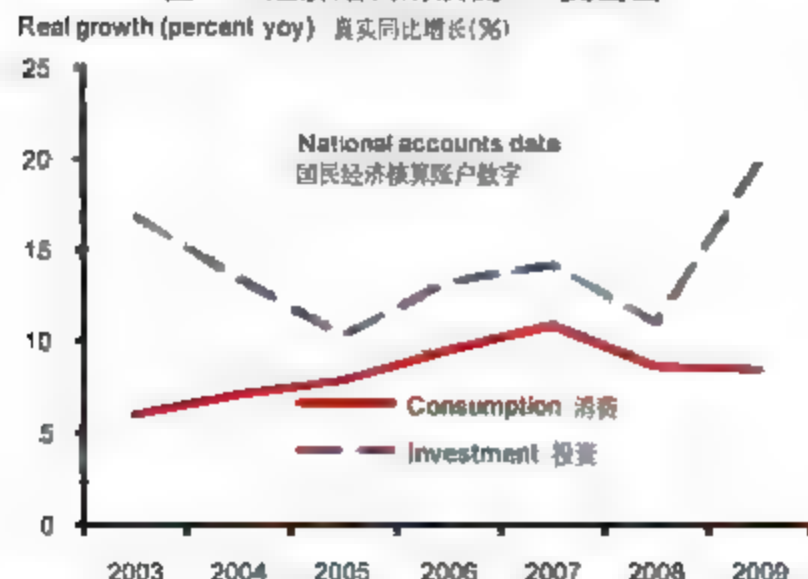
劳动力枯竭将是一个缓慢的过程, 还需要很长一段时间。不管怎样, 中国现有政策框架中存在许多扭曲需要消除, 包括资本、劳动力和自然资源价格以及市场准入和融资等方面。消除这些扭曲是进行政策调整的一个关键内容。因此我们认为, 如果没有重大政策调整, 就不太可能推动经济再平衡, 实现以内需驱动、服务业主导的增长。“十二五”应将结构调整作为一个主要目标。

财政和货币政策

从公布数据看, 中国财政状况良好, 尚有较大的政策空间。尽管实行了大规模的财政扩张, 但由于大量使用银行贷款, 2009年财政赤字仅为GDP的2.8%。今年前三个季度支出增长20.6%, 各支出类别的增长较为平衡。同期财政收入增长22.4%, 间接税的增长超过直接税。这些趋势意味着财政赤字进一步下降——尽管这些趋势并不一定能预示全年财政收支情况。2009年底中国官方发布的政府债务仅占GDP的17.5%。

Figure 13. Evolution of the economic structure—the expenditure side

图13. 经济结构的演变——支出面



Source: PBOC, World Bank staff estimates. 数据来源: 人民银行, 世界银行工作人员估计。

Figure 14. Evolution of the economic structure—the production side

图14. 经济结构的演变——生产面



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

These trends suggest a further reduction in the headline fiscal deficit, although such trends may not necessarily be a good predictor of the whole-year balance.^[4] China's official government debt was a modest 17.5 percent of GDP at end 2009.

Quasi fiscal spending is being contained, after the surge that has reduced the overall macro policy space. A significant share of the surge in lending to local government investment platforms (LGIPs) since end 2008 may go bad. After an investigation, the China Banking Regulatory Commission estimated in July that of the 7.7 trillion yuan in lending to LGIPs, about 1.54 trillion yuan, or around 20 percent, faces default risk. Given China's solid macroeconomic and fiscal position, and the reported capital cushion of most banks, the local finance problems are unlikely to cause systemic stress fiscally or for the banking sector. Nonetheless, the flow of new lending to the platforms during the stimulus was unsustainable and, overall, China now has less macro policy space than in 2008. The measures taken by the government earlier this year to stem the flow seem to have achieved results. Medium and long term lending to infrastructure—which overlaps with lending to LGIPs—declined from 1111.2 billion yuan (up 19 percent on a year ago) in the first quarter of 2010 to 607.5 billion yuan (down 40 percent on a year ago) in the second quarter (Figure 15). It is important to keep this flow contained and reinforce prudential regulation with regard to this type of lending. It would also be very useful to improve its transparency.

The overall monetary stance needs to be normalized to contain the associated risks. In addition to strained local finances, the most important macroeconomic risks are NPLs and prices of housing, equity, and possibly other assets. Moreover, while the inflation outlook does not seem worrisome, the risks to inflation call for vigilance, managing inflation expectations, and monetary policy leeway. With the economy operating close to full capacity overall and the growth outlook robust, further consolidation of the monetary stance is needed.

The authorities are broadly on track to meet the 2010 monetary targets and have started to normalize interest rates. Mainstream credit growth decelerated from 33.8 percent in end 2009 to 18.5 percent in September (yoy) and the 2010 target for new lending of 7.5 trillion yuan is broadly in reach. Meeting that target should help manage inflation expectations. However, the case for relying more on interest rates in conducting monetary policy is strong. Off balance sheet credit-type products have grown rapidly recently, in part because of ample liquidity and low interest rates. Reining in such financial activity, and more generally tightening overall monetary conditions, requires higher interest rates as well as containing liquidity in the financial system. In mid October the People's Bank of China (PBC) raised benchmark one-year lending and deposit rates by 25 basis points (Figure 16).^[5] The PBC raised longer-term deposits rates by a higher margin, in part to make deposits more attractive relative to alternatives (Figure 17). Longer-term lending rates were raised by a smaller margin. Further normalization of interest rates is needed, as lending and deposit rates are still low relative to historical levels and the buoyancy of the economy.

Pressure from international capital flows may challenge the conduct of monetary policy, but these challenges should be more manageable in China than in some other countries. The abundant liquidity internationally created by loose monetary policy amidst weak growth in developed countries is likely to be attracted by the strong growth in this region, notably China. Such flows will add to the upward pressure on the RMB. However, in China such flows may be less of a problem than is sometimes thought and they should not be a reason not to raise interest rates. The amount of net financial inflows is still quite modest, compared to other flows and domestic credit creation because China's controls on unwanted financial inflows have been rather effective. More than 100 percent of the increase in foreign reserves in 2006-09 was driven by the current account surplus and net FDI while in 2009, the first year with positive net financial inflows since 2004, such net inflows were equivalent to around 4 percent of domestic credit creation.

Measures can be taken to further shore up protection against unwanted capital flows. In current circumstances it makes sense to continue to

去年准财政支出激增，缩小了总体宏观政策空间，政府现已对此类支出进行控制。自2008年开始，银行向地方政府投资平台的贷款激增，其中一部分可能成为呆坏账。7月中国银监会根据调查估算，对地方政府投资平台的7.7万亿元贷款中，有约1.54万亿，即20%，面临偿债风险。由于中国宏观经济及财政状况良好，据报道大多数银行也有充足资本，因此地方财政问题不大可能引起系统性的财政紧张或带来整个银行业的问题。不过，无论如何，经济刺激方案中对地方政府投资平台的贷款规模是不可持续的，而且总的来说，中国现在的宏观政策空间小于2008年。今年早些时候政府采取的限制此类贷款的措施看来已经取得了成效。基础设施中长期贷款，往往就是对地方政府投资平台的贷款，从一季度的1111.2亿人民币(比去年同期高出19%)降至二季度的607.5亿(比去年同期降低40%)(图15)。继续控制这类贷款是非常重要的，同时也要加强审慎性监管。增强透明度也会有助于加强对这类贷款的控制。

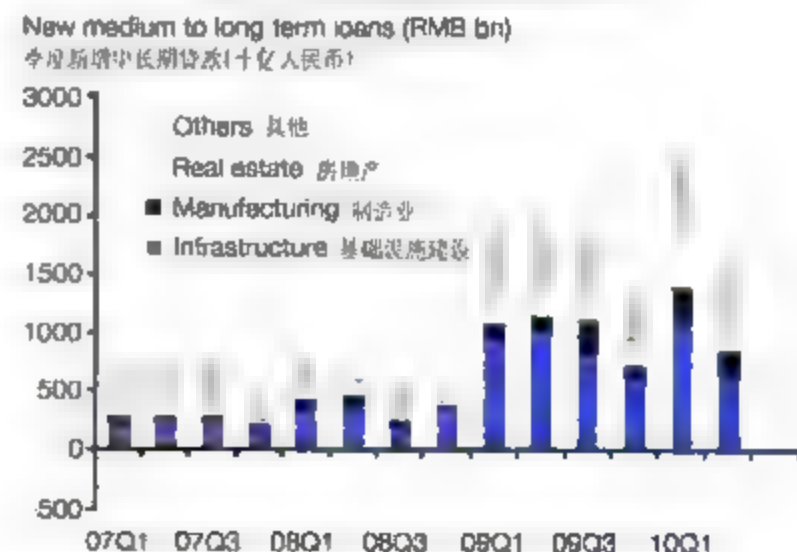
总体货币政策需要正常化以遏制相关风险。除地方财政紧张外，最重要的宏观经济风险是银行坏账以及住房、债券以及其他资产的价格。此外，虽然通胀前景并不特别需要担心，但对通胀风险保持警惕，管理通胀预期，保持货币政策的空间。中国经济已在接近全产能的水平运行，增长前景也很好，因此需要进一步收紧货币政策。

现在看来，基本上可以实现2010年的货币政策目标。货币当局已经开始将利率正常化。主流信贷同比增长从2009年底的33.8%降至2010年9月的18.5%。2010年新增贷款控制在7.5万亿以下的目标基本可以实现。这应当有助于管理通胀预期。但是，仅控制信贷规模是不够的，还需要采取更全面的措施。由于流动性充足和利率低等原因，最近表外信贷类产品的增长迅速。要约束这类金融活动以及更普遍地收紧货币条件，需要提高利率，并控制金融体系中的流动性。10月中旬，中国人民银行将一年期存贷款利率上调了25个基点(图16)。长期存款基准利率提高的幅度更大，一定程度上是为提高存款的吸引力(图17)。长期贷款利率也有所上调，但上调幅度较小。存贷款利率与历史水平相比仍然较低，考虑到当前的经济活力，还需要进一步实行利率的正常化。

来自国际资本流动的压力可能会影响货币政策的操作，但中国与其他国家相比应当更有能力管理这方面的挑战。发达国家宽松的货币政策产生了充足流动性，加上这些国家增

Figure 15. Lending to infrastructure is coming down

图15. 基础设施建设贷款下降



Source: PBC, World Bank staff estimates. 数据来源：人民银行，世界银行工作人员估计

effectively apply the controls on financial capital flows and also to consider tightening regulation. Earlier this year, the State Administration of Foreign Exchange (SAFE) tightened regulations on overseas lending and borrowing via domestic banks and both SAFE and the PBC announced they would more strictly monitor capital flows. There would likely be more room for further lightening of micro and macro prudential regulation. In addition, more exchange rate flexibility may help in deterring capital inflows, although the recent experience in other large emerging markets shows that flexible exchange rates by themselves may not deter such inflows sufficiently. With regard to the level of the exchange rate, a stronger currency helps reducing inflation pressures by lowering the price of imports and toning down demand. It also helps rebalancing China's pattern of growth toward more services and consumption and less industry and investment.

Private Sector Development

The private sector will remain critical for achieving China's development objectives over the 12th Five-Year Plan period and beyond. Private sector firms are more productive than SOEs and are crucial for job creation.^[9] Expanding the role of the private sector has been part of China's reform strategy. However, there is a feeling among many that in recent years the policy stance has favored SOEs over the private sector (see Box in our June 2010 Quarterly Update). At any rate, there is wide agreement that a vibrant private sector is key for raising productivity and for China's further development and growth.

In order to boost the strength of the private sector, in the next five years, China could address the following three challenges:

First, opening up to private enterprises sectors so far dominated by state-owned firms. In 2005, the government expounded the principle of allowing private firms to enter some industries previously reserved for SOEs and called for the equal treatment of SOEs and private companies. In practice, the principle proved hard to implement and progress was limited. Earlier this year, the government issued guidelines that reiterated the desire to stimulate the private sector and remove entry barriers to private investment.^[10] The objective is to encourage private investment in sectors such as infrastructure, utilities, financial services, logistics, and defense. Specific measures are still pending.

In this connection, the government could usefully clarify the role it envisages SOEs to play in China's economy. Without a clear, specific policy framework and support, such guidelines may not be very effective, since traditional habits among local governments, enterprises, and banks are sometimes hard to change. Moreover, the guidelines seem to conflict with other explicit principles emphasizing the need for a strong role for SOEs, as codified in a list of "strategic" and "basic or pillar" industries where state-owned companies are meant to play a key role. The current

长乏力,使得东亚地区特别是中国的强劲增长对国际资本极具吸引力。这类资金流入将增加人民币的升值压力,并要求进行对冲以削弱其对国内流动性的影响。不过,它所带来的问题可能并没有人们想象的那么严重,也不应该成为不加息的理由。得益于中国对资本流入的有效控制,金融资本净流入规模相对于其他资金流动和国内信贷而言并不大。2006-2009年外汇储备超过100%的增加,主要由经常账户盈余和净FDI驱动,而在2009年,是自2004年以来的首次出现净金融资本流入为正的年份,流入的资金规模仅相当于国内信贷规模的约4%。

可采取措施进一步防范有害的资本流动。在当前形势下,继续有效控制金融资本流动并加强监管是正确的。今年早些时候,国家外汇管理局收紧了对通过中资银行在境外借款和放款的规定,外汇管理局和人民银行都宣布它们将更紧密地监测资本流动。进一步加强微观和宏观审慎监管方面也还有更大空间。此外,还可以通过增强汇率的灵活性来帮助抑制这类资本流动。当然,近年一些其他新兴市场大国的经验显示仅靠灵活的汇率制度不足以完全防止国际资本流入。至于汇率水平,一个强势货币可降低进口产品价格,抑制对中国出口的需求,有助于降低通胀压力。这也有助于中国经济的再平衡,实现以服务业和消费拉动而非工业和投资拉动的增长。

民营部门发展

在第十二个五年规划乃至很长的时期,民营部门仍将对实现中国的发展目标发挥关键作用。民营企业的生产率高于国有企业,对创造就业也至关重要。扩大民营企业在经济中的作用一直是中国改革战略的组成部分,但很多人觉得政府近年的政策立场是重国企、轻民企(见我们2010年6月的季报)。无论如何,富有活力的民营部门是提高生产率、推动未来发展和增长的关键。在这一点上人们已达成普遍共识。

为加强民营部门,中国在今后5年需解决以下三个方面的挑战。

首先,向民营企业开放迄今为止一直由国企主导的行业。2005年,国务院发布文件阐述了允许民营企业进入过去由国企垄断行业的原则,并规定对国企和民企平等对待。但从实践上来看,这一原则实施起来比较困难,进展有限。今年早些时候,政府发布了指导纲要要振兴民营部门,消除私

Figure 16. Interest rates remain low

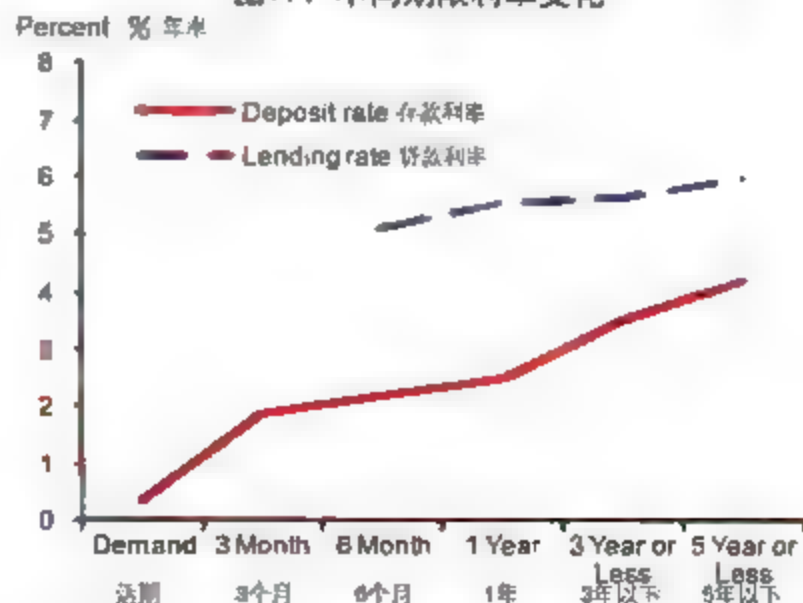
图16. 利率保持低位



Source: CSRC, World Bank staff estimates. 数据来源: CSRC数据库, 世界银行工作人员估计。

Figure 17. Interest rates vary with maturity

图17. 不同期限利率变化



Source: PBC, World Bank staff estimates. 数据来源: 人民银行, 世界银行工作人员估计。

list of “basic and pillar” sectors in industry includes machinery, autos, IT, construction, steel, base metals, and chemicals. If the aim is to stimulate the private sector, it would be useful to reconsider the composition of this list. In addition, there is ample room to open several services sectors to private sector participation.

Second, continuing to address investment climate constraints. During the 11th Five-Year Plan, the overall investment climate for the private sector has improved, notably through the reforms of the regulatory environment to encourage new entry. However, some remaining institutional and policy constraints that hamper the development of the non-public sector could be tackled during the 12th Five-Year Plan. These include:

- **Making access to finance more equal and developing capital markets.** Despite improvements in the capital market, especially the establishment of the Small and Medium-sized Enterprise (SME) Board and the New Ventures Board, many private firms still have difficulties accessing bank loans and the capital market. This is particularly so for micro, small and medium-sized enterprises (MSMEs) in the central and western regions, where the relevant financial markets and products are relatively underdeveloped. Thus, an important task during the 12th Five-Year Plan is to strengthen financial services to MSMEs, especially those in the interior regions.

- **Adjusting the role of the government and reducing “red tape.”** Local governments often maintain tight control of economic development, including selecting industries and planning industrial transfer. As part of the process to change the role of the state, the government—including at the local level—could increasingly withdraw from direct intervention in the economy. In this way red tape could also be reduced.

- **Reducing further regulatory barriers to entry.** Despite the encouragement of private sector development, many sectors still have unnecessarily high barriers. These include unduly high levels for required registered capital and fixed assets.

Third, supporting the research and development (R&D) and innovation capacity of the private sector. During the 11th Five-Year Plan period, the overall innovation climate for China’s private sector has improved and some very innovative private firms have emerged. However, most R&D in China is still conducted by large and medium-sized SOEs, with private firms, particularly small ones, playing a small role. The government can further strengthen the private sector’s innovation capacity through: (i) better protection of intellectual property rights; (ii) helping improve the skills of private sector workers; (iii) strengthening interactions between the private sector and knowledge institutions, and (iv) providing supportive services.

Reducing energy intensity—challenges and policies

China will get close to meeting the energy intensity (EI) target of the 11th Five-Year Plan. The plan included a target to reduce the amount of energy per unit of real GDP by 20 percent between 2005 and 2010. Using the most recent energy consumption and GDP data, EI was reduced by 15.6 percent in 2005-9. Given developments so far in 2010, it will be difficult to meet the 20 percent target exactly, barring further data revisions.¹⁰⁰ Nonetheless, China will get close, thus decidedly reversing an earlier upward trend in energy intensity (Figure 18). Moreover, the adoption of a binding target has clearly established energy conservation as a top priority at all levels.

More generally, China has made impressive achievements in energy conservation and renewable energy during the 11th Five-Year Plan period. Several reforms have taken place, including in pricing and taxation. Many inefficient coal-fired power plants and energy-intensive factories have been closed. Since the Renewable Energy Law of 2006, wind power capacity has been doubling every year and China has transformed itself into a world leader in renewable energy.¹⁰¹ These developments have shifted the economy towards a more sustainable energy path.

Looking forward, China will continue to face (local and global) environmental sustainability challenges to meet the energy needs arising from rapid economic development. China’s energy use per unit of GDP in 2009 was around 3.6 times as large as in the United States and 7.3 times as high as in Japan if GDP is measured at market exchange rates (Figure 19). If GDP is

人投资准入障碍”。其目标是鼓励私人投资进入基础设施、市政公用事业、金融服务、后勤、国防和科技产业，但有关的具体措施尚未出台。

在这方面，中国政府可进一步明确国企在经济中应发挥的作用。由于地方政府、企业和银行很难改掉一些传统习惯，若没有一个清晰的政策框架，政府发布的这些“意见”或方针可能收效甚微。而且，这些方针看来与另外的一些更为明确的强调国企重要地位的方针相矛盾，因为对那些“战略性新兴产业”、“基础产业”或“支柱产业”，国有企业需要占据核心地位。当前的“基础产业”和“支柱产业”包括了机器制造、汽车、信息技术、建筑、钢铁、基本金属和化学工业。如果政府的目标是振兴民营企业，就应该重新考虑这些基础和支柱产业的涵盖面。此外，在向民营企业开放服务业方面也还有很大的空间。

其次，继续解决投资环境方面的制约。“十一五”期间民营部门的总体投资环境有所改善，这主要体现在通过监管环境改革鼓励民营企业进入。然而，仍然有一些制度和政策方面的制约阻碍了非公经济部门的发展，可在“十二五”期间加以解决。这包括：

- **促进融资平等，发展资本市场。**虽然资本市场有所改善——特别是建立了中小企业板和创业板，但很多民营企业在获得银行信贷和从资本市场融资方面仍然面临困难。这一问题对中西部的微型和中小型企业(MSMEs)来说尤为突出。因为这些地区的金融市场和金融产品相对来说发展水平较低。因此，“十二五”的一个重要任务就是加强对微型和中小企业的金融服务，特别是对内陆地区此类企业的金融服务。

- **调整政府职能，减少官僚程序。**地方政府往往对经济发展保持高度控制，包括对重点产业进行选择，对产业转移进行规划等。要转变政府职能——政府——包括地方政府在内——应当逐渐退出对经济的直接干预。这样也有助于减少那些不必要的官僚程序。

- **进一步减少市场准入的行政障碍。**尽管政府表示鼓励民营企业发展，但很多行业仍对私企设置了不必要的高门槛，如注册资本和固定资产有过度的要求等。

第三，支持民营企业研发(R&D)，增强其创新能力。“十一五”期间，民营部门的总体创新环境有所改善。出现了一批非常具有创新性的企业。然而，中国的大部分的研发活动还是由大中型国有企业进行的，而民营企业特别是小企业的作用十分有限。政府可以通过以下措施进一步加强民营部门的创新能力：(1)更好地保护知识产权；(2)帮助民营企业提高工人技能水平；(3)加强民营企业与大专院校和研究所等知识机构的互动；(4)提供支持创新的各类服务。

降低能耗——挑战与政策

中国将接近实现“十一五”规划的能耗强度(EI)目标。“十一五”的一个目标是在2005-2010年这五年内将单位GDP能耗降低20%。根据最新的能源消费和GDP数据计算，2005至2009年能耗强度降低了15.6%。考虑到2010年以来的情况，除非数据有进一步的修正，要完全实现20%的目标会比较困难¹⁰²，不过能与目标相距不远，这样也就明确扭转了早些年能耗强度不断上升的发展趋势(图18)。此外，确定约束性目标的作法也使节能降耗已明确成为各级政府的工作重点。

更广泛地来看，“十一五”期间中国在节能降耗和发展可再生能源方面取得了很大成绩。开展了包括能源价格和税收在内的若干改革。很多效率低下的火电厂和高耗能的厂被关闭。自2006年通过《可再生能源法》以来，风力发电能

measured at PPP, China's energy intensity in 2009 was around 1.5 times as high as the U.S. level.

Specifically, China's energy needs will be shaped by its response to three overarching challenges. These are: (i) maintaining rapid economic growth while rebalancing the country's economic structure and moving towards a less energy- and carbon-intensive economy; (ii) achieving rapid urbanization while shifting toward less energy- and carbon-intensive cities; and (iii) improving the quality of life while shifting to a less energy-intensive and more sustainable lifestyle. It is essential to meet these challenges to avoid being locked into a highly energy-intensive structure and to contribute to a sustainable energy development path both locally and globally.

In addition to economy-wide reforms to promote rebalancing, meeting these challenges will require actions in four key dimensions of the energy sector:

First, continuing energy pricing reforms. Passing the full economic cost of energy supply to consumers and gradually internalizing environmental costs in energy prices can help increasing energy efficiency, discourage energy waste, and encourage clean fuels. The pricing of coal and oil products now reflects developments in international oil prices in a relatively transparent way. However, fuel prices in particular are still low. The strong international evidence on the link between prices and energy intensity shows China can reduce the energy intensity by raising energy prices further. Pricing reforms are also still needed for natural gas and electric power, building on the welcome recent electricity pricing reform for residential electricity tariffs. Furthermore, introducing meters in district heating would help since the current tariffs are set based on the amount of floor area, which weakens incentives to conserve energy. Prices should also increasingly take account of environmental externalities. To that end, local (and even global) environmental costs can be incorporated in energy pricing through an additional fossil fuel tax and/or a carbon tax.

Second, complementing administrative measures with market-based mechanisms to further reduce energy intensity. Sustaining the reduction of energy intensity achieved under the 11th Five-Year Plan will require: (i) increasing the use of market-based mechanisms and financial incentives while strengthening the implementation of administrative measures; (ii) continued structural reforms towards a less energy-intensive economy while pursuing technical and managerial energy conservation measures; and (iii) strengthening energy conservation in urban buildings and transport while consolidating efforts on large state-owned enterprises and expanding to other enterprises. Enhanced market based mechanisms, such as piloting energy saving certificates trading, developing market-based financing mechanisms, and scaling up the energy efficiency service industry, can also motivate enterprises to implement energy efficiency measures and allow government agencies to play a more indirect supervision role. To this end, the energy intensity reduction target for the 12th Five-Year Plan could be made more customized than the current one

力以每年翻一番的速度增长,中国已经成为世界上可再生能源的领跑者¹¹。这些发展变化使中国经济向一种更可持续的能源道路转化。

今后,中国在满足其经济迅速发展所带来的能源需求时,将继续面临有关(地方和全球)环境可持续性的挑战。以市场汇率计算的GDP进行比较,2009年中国的单位GDP能耗约为美国的3.6倍,为日本的7.3倍(图19)。如果按购买力平价计算GDP,中国的单位GDP能耗是美国的1.5倍。

具体来说,中国如何应对以下三大挑战将决定其能源需求的发展态势。这三大挑战是:(1)保持经济快速增长,同时调整经济结构,降低经济的能耗强度和碳密度;(2)快速实现城市化,同时降低城市的能耗强度和碳密度;(3)改善居民生活质量,同时实现低能耗且更可持续的生活方式。要避免陷于高耗能的经济结构,走向从全国和全球角度来看都更可持续的能源发展道路,就必须成功解决上述三方面的挑战。

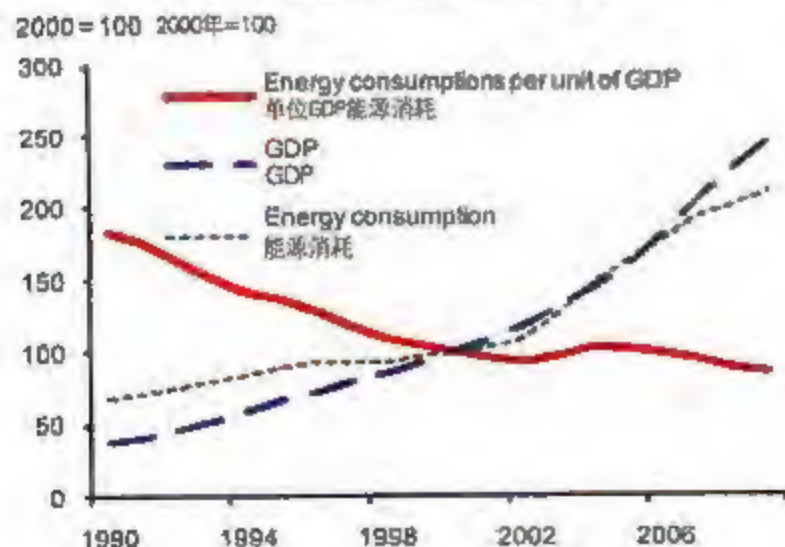
除了对整个经济进行改革来实现经济平衡发展以外,解决上述挑战还需在能源部门的四个主要方面采取必要措施。

首先,继续进行能源价格改革。将能源供应的全部经济成本转给消费者并逐渐将环境成本内化在能源价格中将有助于提高能效,减少能源浪费,并鼓励清洁能源的生产和使用。现在煤和石油产品的定价以相对透明的方式反映了国际油价的变化。然而,燃料价格仍然很低。国际经验显示能源价格和能耗密度之间有密切关系,因此中国可以通过进一步提高能源价格来降低能耗。天然气和电力也需要进行价格改革——最近的居民电价改革是非常值得欢迎的措施,可以此作为进一步改革的基础。此外,在供热方面,目前的取暖费是根据房间面积确定的,弱化了消费者的节能意识。可以在集中供暖的地区安装暖气表来解决这一问题。能源定价也应更多考虑环境外部性。这方面,可通过额外的化石燃料税和/或碳税将地方性(甚至全球性)的环境成本包括到能源价格中。

其次,用市场化机制对行政手段进行补充,以进一步降低能耗。要保持“十一五”期间的能耗降低速度,就需要:(1)在强化行政手段实施的同时,更多利用市场化机制和财务激励;(2)继续进行结构性改革,在采取节能降耗的技术和管理措施的同时使经济结构向低能耗的方向转变;(3)在巩固大型国有企业的节能工作并向其他企业扩展的同时,加强城市建筑和交通的节能。扩大市场化机制的使用,如进行节能证书交易试点、开发市场化的融资机制、扩大能效服务业等,

Figure 18. The energy intensity is being reduced

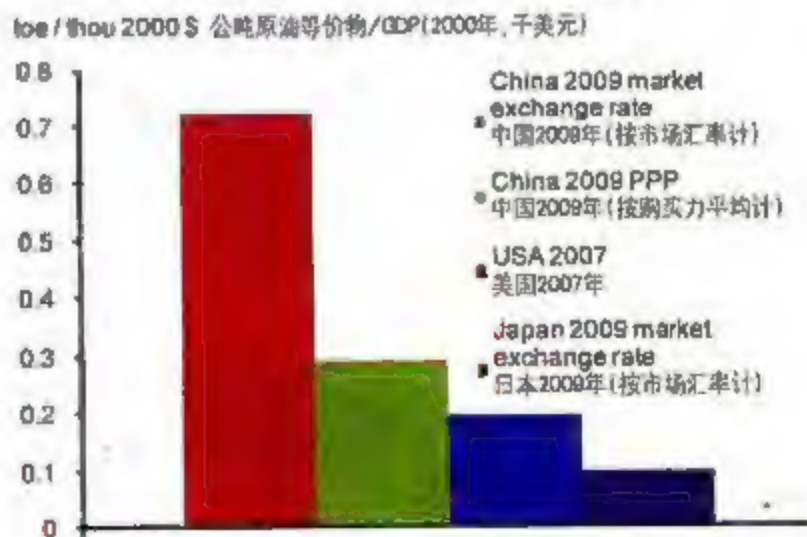
图18. 能耗强度正在逐步下降



Source: CEIC, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

Figure 19. The energy intensity is still high

图19. 能耗强度绝对水平仍很高



Source: CEIC, IEA, World Bank staff estimates. 数据来源: CEIC数据库, 世界银行工作人员估计。

(which called for a similar reduction for all parts of the economy). This target can be complemented by a range of investments in human capacity, strengthening incentives, financial innovation, transparent supervision, data collection, reporting and verification methods.

Third, reducing cost and improving performance of renewable energy. Currently, power consumers pay an average of about 0.4 fen/kwh for the higher costs of renewable energy. With the rising share of renewable energy in the power mix, in the absence of a government subsidy, a continued increase in the surcharge for renewable energy may create financial burdens on consumers. In addition, a large share of wind power cannot get onto the grids, biomass development has run into fuel supply issues, and solar PV is still costly. Sustainable growth of China's renewable energy industry would need to focus more on driving down costs while promoting high efficiency and high quality. To address some of these issues, the government has already revised the Renewable Energy Law. Further reforms during the 12th Five-Year Plan period could include: (i) improving renewable energy planning, allocation of mandatory quota, and piloting renewable energy certificate trading; (ii) strengthening feed-in tariff schemes; (iii) resolving the grid integration bottleneck to wind and solar development; (iv) developing policies for distributed generation and integrating renewable energy into power sector reform; (v) accelerating hydropower development; and (vi) improving the performance and reducing the costs for wind and solar PV.

Fourth, accelerating development and diffusion of new energy technologies. Deploying advanced technologies on a large scale requires accelerated and enhanced research, development, and demonstration, coupled with an adequate carbon price. The clean technology revolution offers an opportunity for China to leapfrog to the next generation of new technologies, such as Integrated Gasification Combined Cycle (IGCC), carbon capture and storage (CCS), electric vehicles, energy storage, distributed generation, and smart grids. Coupling a technology push (e.g. increasing R&D) with demand pull (e.g. increasing economies of scale) is critical to drive substantial cost reductions of advanced technologies. This also provides an opportunity for China to create local manufacturing industries and drive down costs to becoming global technology leaders. China already has three of the top ten global solar manufacturers and its wind manufacturing industry is also on its way to become a global leader. The largest barrier is the high incremental costs between these technologies and conventional options.

Notes:

- [1] The household survey data from the urban and rural surveys is weighed up to obtain an economy-wide estimate.
- [2] The input output tables suggest only slightly higher increase in ULC for the whole economy during the recent decade, whereas the flow of funds data suggests a 20-percent increase.
- [3] "The Cost Competition of the Manufacturing Sector in China and India, an Industry and Regional Perspective," the Conference Board and Growth and Development Center of the University of Groningen, January 2009.
- [4] These large wage increases reflected a strong rebound in the labor market after an earlier downturn last year when wage growth slowed. Looked at over a two-year horizon, wage growth is not far from historical norms.
- [5] Seasonal patterns suggest export volumes and the trade surplus tend to be substantially higher in the fourth quarter. Our forecast for 2010 simply assumes that, in seasonally adjusted terms, export volumes decline 1 percent per month in the fourth quarter and import volumes rise 1 percent per month on this basis. On prices, we project a deterioration in the TOT of 4 percent in the second half, compared to 15 percent in the first half, as commodity price increases have slowed while export prices have recovered somewhat.
- [6] In January-September 2010, the surplus was 2.3 percent of GDP. But the average surplus in the first 9 months was 3.4 percent of GDP in 2007-09, while the whole-year balance ranged from +0.6 percent of GDP in 2007 to -2.8 percent of GDP in 2009.
- [7] This is the first adjustment to interest rates since December 2008, when they were cut as part of the stimulus package.
- [8] OECD Economic Survey: China 2010.
- [9] Several Opinions on Encouraging and Guiding the Healthy Development of Private Investment
- [10] The government announced that in the first half of 2010, the EI rose by 0.9 percent, compared to a year ago. Achieving the 5.2 percent reduction in 2010 that is necessary to meet the 20 percent of the 11th Five-Year Plan would require a 10 percent reduction in the second half, compared to a year ago.
- [11] In 2009, China added 14,000 mw of new wind power generation capacity, the largest increase in the world. Total installed capacity is expected to reach 30,000 mw in 2010, second to the United States.

也可以促使企业实施提高能效的措施,并使政府机构以更为间接的方式进行监督。这样,“十二五”期间的节能降耗目标可比“十一五”更具针对性(“十一五”对经济所有部门设立了类似的降耗指标)。为实现目标,可在人力资本、激励机制、金融创新、透明化监管、数据收集、报告和核查方法等方面进行一系列投入。

第三,降低可再生能源的生产成本,改善绩效。目前,使用以成本较高的可再生能源电力的用户支付的平均电费比其他来源的电力平均高出0.4分/千瓦时。随着可再生能源发电在发电总量中所占比重上升,如果没有政府补贴,因消费可再生能源产生的额外费用的持续提高可能会给消费者带来财务负担。此外,风力发电的很大一部分不能进入电网,生物质能发电已经遇到燃料供应问题,而太阳能光伏发电成本依然很高。中国可再生能源产业的可持续增长将更依赖于降低成本,提高效率和质量。为解决这些问题,政府已经对《可再生能源法》作出了修订。“十二五”期间可进行的进一步改革包括:(1)改善可再生能源的规划和强制性指标的分配,进行可再生能源证书交易试点;(2)加强回购电价制度;(3)解决风力发电和太阳能发电并入电网的瓶颈问题;(4)制订分散式供电的政策,将可再生能源纳入电力部门改革;(5)加快发展水电;(6)提高风力发电和太阳能光伏发电的绩效,降低成本。

第四,加快新能源技术的传播。在大范围内推广先进技术的使用需要加快研发、示范活动,同时实行充分的碳定价。清洁技术革命为中国直接跨越式采用下一代新技术提供了机会,这些技术包括整体式煤气化联合循环发电(IGCC)、碳捕获与封存(CCS)、电动汽车、能源储存、分散式发电及智能电网等。将技术推动(如增加R&D)和需求拉动(如规模经济扩大)结合起来,对大幅降低先进技术的成本十分关键。这也为中国创造地方的制造业产业、降低成为全球技术领先国家的成本提供了机会。在世界最大的十个太阳能电池版生产商中,有三个是中国企业;中国的风力发电设备制造业也有望在世界领先。这些产业发展的最大障碍是这些新技术与传统技术相比依然存在很高的增量成本。

注释:

1. 对城乡居民调查所得数据进行了加权来得出整体经济的工资变化数据。
2. 投入产出表显示最近十年整体经济的单位劳动力成本上升略高于工业,而资金流数据则显示上升幅度为20%。
3. 《从行业 and 区域视角看中国和印度制造业的成本竞争》,工商管理学会和佛罗里达大学增长与发展中心,2009年1月。
4. 工资的大幅上涨反映了劳动力市场的有力回升,而去年劳动力市场经历了一段下滑,工资增长缓慢。如果从工资在过去两年内总的增加幅度来看,与历史常规水平相差并不大。
5. 进出口贸易的季常规律显示,第四季度的出口额和贸易顺差往往大大高于其他季度。我们对2010年全年的预测是居于以下假定:经季节调整后,四季度出口量逐月下降1%,进口量逐月上升1%,在价格方面,我们预测下半年由于原材料价格上涨放缓,而出口价格有所回升,贸易条件将同比下降4% (而上半年是下降了15%)。
6. 2010年1-9月,财政赤字为GDP的2.3%,但2007-2009年前9个月的财政赤字平均为GDP的3.6%,但就全年来说,2007年的财政赤字为GDP的0.6%,而2009则是GDP的-2.8%。
7. 是自2008年12月以来第一次调整利率,当时作为经济刺激方案中的一个措施,央行降低了利率。
8. 《OECD经济调查:中国2010》。
9. 《关于鼓励和引导民间投资健康发展的若干意见》。
10. 中国政府宣布,2010年上半年能耗强度与去年同期相比上升0.9%,如果完成“十一五”所确定的能耗强度降低20%的目标,2010年全年需比去年下降5.2%,基于上半年数据,这意味着下半年要比去年同期下降10%。
11. 2009年中国新增风力发电装机容量14000兆瓦,为全球增长最大的国家,预计2010年总装机容量将达30000兆瓦,仅次于美国。



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